Austria	Sch. 20	Indonesia	Rp 2500	Philippines	Pes. 20
Bahrain	Din.0.650	Israel	IS 3.50	Portugal	Esc 100
Belgium	BFr.45	Italy	L 1500	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y550	Singapore	S$ 4.10
Cyprus	C£0.70	Jordan	Fils 500	Spain	Pta 125
Denmark	Dkr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.00	Lebanon	£1 25.00	Sweden	Skr 7.00
Finland	Fmk 6.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr. 6.50	Malaysia	Rm 4.25	Taiwan	NT $55
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
India	Rup. 15	Norway	Nkr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,039 — Tuesday September 23 1986 — D 8523 B

Moscow cracks down on corruption, Page 3

World news | Business summary

Six killed in Soviet aircraft hijack

Two armed men killed two Soviet policemen, seized a grounded Tupolev-134 aircraft and shot dead two passengers before they were themselves killed, the official Tass news agency said.

The men commandeered a taxi last Saturday night in the city of Ufa, 720 miles east of Moscow, and shot dead a senior police sergeant and his deputy who tried to pursue them.

The men seized the aircraft at Ufa airport, where it had made a stopover en route from Kiev to a western Siberian town, opened fire and killed two of the 76 passengers.

Arms deal finalised

The Stockholm Security and Disarmament Conference ended after three years with the adoption of measures aimed at reducing the risks of war by accident. Page 20

East-West talks

Representatives from 35 nations began work in Vienna to prepare a new round of East-West talks aimed at increasing security and reducing tension in Europe. Page 2

Norway bans F-111

Norway's Labour government has barred the US from sending F-111 bomber jets to take part in Nato exercises over Norwegian territory.

N-Industry attacked

A European Community executive commissioner accused the European nuclear energy industry of shrugging off public fears of an atomic accident similar to the Soviet reactor disaster at Chernobyl.

Israeli troops mass

Israel has massed hundreds of troops along its northern border with Lebanon in support of pro-Israeli Lebanese militiamen under fire from radical Shia Moslem gunmen.

Memorial disrupted

Hundreds of militant black miners disrupted a memorial service organised by the mine's white owners for the victims of South Africa's worst gold mine accident, which killed 177 miners. Page 4

Missionaries released

Angola's Unita rebels said they had released a *Brazilian priest* and *two* Angolan nuns captured in central Bie province on September 14.

Mozambique appeal

Mozambique launched an urgent appeal for international food aid because it said almost 4m of its people faced famine because of the long war with right-wing rebels.

Iran victory promise

Iranian leaders promised victory as the nation staged a big military parade to mark the sixth anniversary of the start of the Gulf War with Iraq. Page 4

Attack on crime

Greece and Italy are to step up cooperation against terrorism, drug trafficking and other organised crime under a security agreement signed in Athens. Page 3

McEnroe wins again

Former Wimbledon champion John McEnroe had his first tournament victory for nearly a year, including a seven-month lay-off, when he beat Stefan Edberg (Sweden) 6-2 6-3 to win the Los Angeles grand prix.

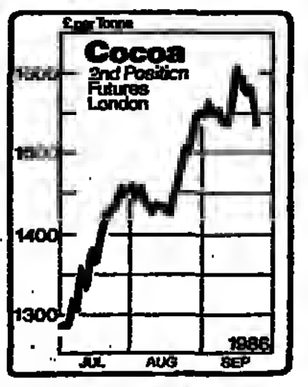
Baby has transplant

A 10-week-old baby boy has become the youngest person in the world to be given a heart-and-lung transplant. The operation was at Harefield Hospital, London.

Hutchison may lift stake in Pearson

HUTCHISON Whampoa, Hong Kong trading company which revealed a 4.99 per cent stake in Pearson, UK industrial, banking and publishing group, said it wanted to discuss "ways to increase this investment substantially which would lead to the creation of commercial links between the two groups." Page 21; Details, Page 29

COCOA futures prices fell sharply in London, in a largely technical response to the recent rally. The December position closed £51 down at £1,531 a tonne, the lowest since September 10. Report and Ghana cocoa talks, Page 36



LONDON: Financial markets gained stability from hopes that the weekend EEC meetings would smoothe the way for a US-German compromise on currency trends and interest rates. The FT-SE 100 share index ended 16.7 higher at 1,617.1 and the FT Ordinary share index firmed 13.7 to 1,282.8. Page 44

TOKYO: Sharply higher prices were boosted by domestic demand-linked issues but trading was very thin. The Nikkei average closed 182.85 higher at 17,706.30. Page 44

WALL STREET: The Dow Jones industrial average closed up 30.80 at 1,793.45. Page 44

DOLLAR closed in New York at DM 2.0295; SFr 1.63825; FFr 6.6375 and Y153.30. It advanced in Europe, closing in London at DM 2.0315 (DM 1.9920), Y153.60 (Y152.35), SFr 1.6385 (SFr 1.61) and FFr 6.6450 (FFr 6.5250). Its Bank of England index rose from 108.9 to 110.0. Page 37

STERLING closed in New York at $1.4475. It fell in London to $1.4565 ($1.4760), SFr 2.3725 (SFr 2.3775) and Y223.75 (Y224.75), a record low. It rose, however, to DM 2.9575 (DM 2.94) and FFr 9.6775 (FFr 9.63). Its Bank of England index slipped to 69.5 from 69.6. Page 37

GOLD closed in London at $438¾, up $8¾, the highest level since May 1983. Page 36

KMG, international accountancy firm, has suffered its first defection of a leading affiliate since it announced merger talks with Peat Marwick aimed at creating the world's largest accountancy group. Page 29

KIMBERLY-CLARK, number two supplier of US baby bottomware, accused its arch rival Procter & Gamble, of trying to monopolise the $2.5bn a year US disposable diaper market. Page 21

NATIONAL Distillers, large US manufacturer of organic chemicals and alcoholic beverages, is putting its wines and spirits business up for sale and buying the chemicals division of Enron Corporation, Houston-based natural gas pipeline company, in a transaction worth $609m. Page 21

ISRAELI Government Companies Authority and the country's Finance and Transport Ministries are examining the possibilities of selling El Al, the national airline, to private investors. Page 25

DISNEYLAND International's talks with the French Government over an amusement park outside Paris are understood to have stalled on a series of legal problems. Page 26

Stoltenberg tries to defuse currency row as $ rises sharply

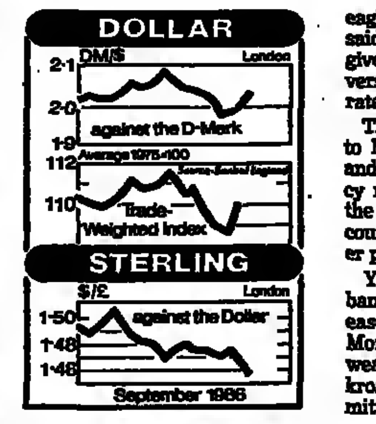
BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON AND RODERICK ORAM IN NEW YORK

THE dollar rebounded yesterday as foreign exchange markets reacted nervously to the weekend decision by European Community governments to seek agreement with Washington to stabilise the US currency.

Senior European officials expressed satisfaction with the markets' response and indicated thet they would now be trying to maintain calm until the high-level meetings of finance ministers and central bankers in Washington at the end of this week.

Mr Gerhard Stoltenberg, the West German Finance Minister, sought meanwhile to defuse the recent transatlantic row over interest and exchange rates. He said in Bonn that it was time to stop using the news media to discuss the dollar. "Let's call a halt (on public statements) for a few days," he said.

Developments in the markets and at the EEC talks in Gleneagles have apparently persuaded Mr Karl Otto Pöhl, the president of the Bundesbank, to delay his departure to the *Washington talks until Thursday* afternoon. That will allow him to chair the fortnightly meeting of the central bank's council earlier that



day, which he had originally planned to miss.

There was no official indication yesterday, however, that the move reflected a change in Mr Pöhl's opposition to an early reduction in West German interest rates. Last week he said that strong economic growth in West Germany and rapid expansion of the money supply in*dicated clearly that a cut was not* justified.

A Bundesbank spokesman would make no comment on the Gleneagles talks, but other participants said that the West Germans had given no sign that they would reverse their position and cut interest rates.

The strength of the US reaction to Mr Pöhl's comments last week and the resulting turmoil in currency markets, however, did surprise the West German authorities, encouraging them to take a much lower public profile.

Yesterday, the threat of central bank intervention was enough to ease strains within the European Monetary System, allowing the weakest currency, the Danish krone, to move back within its permitted trading range.

The dollar surged initially in hectic trading in response to Gleneagles before settling comfortably above the DM 2 level it breached last week. It closed in London at DM 2.0315 against DM 1.9920 on Friday.

Foreign exhange dealers, however, were sceptical that the recov-

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Editorial comment, Page 18; West German bond market, Page 22; Money markets, Page 37

USX plans restructure as bid talk intensifies

BY ANATOLE KALETSKY IN NEW YORK

USX CORPORATION, the recently renamed holding company for US Steel, has responded to the intensifying rumours of a takeover by any one of half a dozen powerful corporate raiders by engaging investment bankers to explore a "wide range of restructuring alternatives" for its gigantic steelmaking, natural resources and financial operations.

Yesterday's USX announcement, which gave no details of the ideas being studied, or even of the banks which had been approached, came after a week of feverish activity in USX shares on the New York Stock Exchange. USX shares were the most heavily traded issue on Wall Street for each of the last three days of last week, rising $5 during the week to $24⅞ on a volume of 28m shares. The shares rose a further $⅞ immediately after yesterday's announcement on volume of over 8m.

Among the speculative purchasers of USX shares pinpointed by market rumours were some of the most dreaded raiders on Wall Street, including Mr T. Boone Pickens, the Texan oil magnate, Mr Carl Icahn, chairman of TWA Corp, and Mr Irwin Jacobs, the leading arbitrageur from Minneapolis. Mr Robert Holmes à Court, the Australian financier who first put USX "in play" by announcing in August that he might acquire up to 15 per cent of the company's equity, was not rumoured to be a major buyer. Most analysts admitted, however, that his activities remained a mystery.

The one substantial hint which USX did provide yesterday about its proposed defences was a negative one, concerning the company's huge pension fund. Some market analysts had estimated that the pension schemes were overfunded by up to $2.5bn, suggesting some juicy cash pickings for any successful corporate raiders. However, Mr David Roderick, the USX chairman, said yesterday that independent actuaries had indicated that termination of the USX pension would not result in any significant cash reversion to the corporation. In fact, USX said that "it appears additional funding may be required in the near future."

The USX investment bankers are being asked to come up with their proposals within 30 days. Meanwhile, some Wall Street analysts have been downgrading their estimates of the company's break-up value as a result of the low production costs being achieved by LTV Corporation, the second largest US steelmaker which is operating under bankruptcy protection, and of the steelworkers' strike which hit USX in August and is expected to last well into the winter.

Uncertainty about the prospects for a takeover or break-up are also heightened by the fact that none of the alleged raiders has yet reached the 5 per cent stake at which disclosure of the shareholding would legally be required.

Siebe in bid for Robertshaw

BY CHARLES BATCHELOR IN LONDON

SIEBE, a fast-growing British safety products and engineering company, has made an agreed bid worth $466m for Robertshaw Controls Company, a US manufacturer of automatic control equipment and systems.

The bid comes less than three months after Siebe failed in its £220m ($323m) takeover bid for APV Holdings, the UK process engineer, and is the sixth and largest acquisition to be attempted by Siebe in the past five years.

It will be partly funded by a £225m rights issue of five new shares for every six held. The issue is unusual in that it steers a mid-course between a pure rights issue and a vendor placing with Siebe's merchant bankers taking up the shares and offering them on. It is also conditional on the takeover's going through.

The bid would give Siebe a major presence in the US market in addition to its existing strong position in Europe and add £280m of sales a year. Siebe's sales in the year to April were £372m. It would bring 8,000 more employees on to the Siebe payroll, 10,325 in 1985-86 and add 27 manufacturing and assembly plants.

"This is a coup, a marvellous fit," Mr Barrie Stephens, managing director of Siebe said. "We are now a dominant player in the international control equipment market."

Siebe is offering $85 a share for Robertshaw, which is listed on the *New York Stock Exchange*. It already has the backing of Robertshaw's largest shareholder, Reynolds Metals, the US aluminium group, with 41 per cent and, together with its merchant bankers, has bought an additional 8 per cent.

Mr Stephens said he had identified Robertshaw as a possible takeover target 10 months ago but it was not then up for sale. When Reynolds put its holding on the market in July, Siebe faced tough competition from several other large control equipment companies.

Robertshaw's shares traded at $46 before the proposed sale of the Reynolds' share stake was announced in July. The price has risen sharply since. It firmed a further $14.50 yesterday to $84.

Siebe's shares fell 80p to 805p on news of the rights issue.

Analysts said the deal at first sight would lead to a slight drop in Siebe's earnings per share, but it had managed to do better than expected with its previous acquisitions. "They will have to run extremely hard to leave shareholders where they were before," commented one.

Robertshaw made a pre-tax profit of $40.5m on turnover of $413m in 1985 and achieved compound annual earnings growth of 30 per cent between 1981 and 1985.

Siebe has increased its market capitalisation from less than £20m in 1981 to more than £300m and may nearly double it again after this deal.

Siebe has been advised by Kleinwort Benson and Lazard Brothers. Goldman Sachs, the US investment bank handled the negotiations for Reynolds.

Lex, Page 20; Analysis, Page 27

Whirlpool and Philips start talks on joint venture

By Terry Dodsworth in London

PHILIPS, the Dutch consumer electronics group, is entering talks with Whirlpool of the US on a proposed joint venture which would mark a further step in the rapid consolidation of the world domestic appliance industry.

The two companies would give only general outlines of the discussions yesterday, stressing that the talks were at an early stage and had only been announced because of the large numbers of people involved. They indicated, however, that the main aim was to look for areas where they could bring together their resources to compete more effectively in international markets for large domestic appliances such as washers, cookers and refrigerators.

"The discussions will be primarily directed toward determining what synergies might be achieved on an international basis in technical, marketing and manufacturing," they said in a joint statement.

Yesterday's announcement follows a spate of takeovers and rationalisation in the world domestic goods industry. The most dramatic of these reorganisations has been the emergence of Electrolux of Sweden as the leading worldwide appliance producer. The Swedish group captured about 25 per cent of the European market with its acquisition of Zanussi in 1985, and gained a foothold in the US through its subsequent takeover of White Consolidated this year.

Both Philips and Whirlpool enter the joint venture talks from a position of comparative strength. Philips is generally acknowledged as the second largest company in Europe after Electrolux, while Whirlpool is believed to be the market leader in the US, where it slightly outranks General Electric.

The two operations are both sound financially. Last year, Philips made profits of Fl 397m ($177m) on sales of Fl 6.64bn ($2.96bn), although this figure includes its small appliance division, which is not included in the talks. Whirlpool had net income of $182m on revenues of $3.47bn.

In markets outside North America and Europe, Philips is in the stronger position with facilities in Australia, Argentina and Colombia, and joint ventures in India, Morocco, Egypt and Nigeria. Whirlpool only has equity interests in three companies in Brazil.

During the last two years, however, Whirlpool has made no secret of its ambitions to use its strong position in the US, where it employs 25,000, as a springboard for international expansion.

Reagan strikes optimistic note on arms deal

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday struck an optimistic note about the prospects for an arms control agreement with the Soviet Union, saying in his address to the General Assembly of the United Nations that "the ice of the negotiating stalemate could break if both sides intensify their efforts in the new round of Geneva talks."


Mr Reagan

In a speech which officials said was designed to avoid harsh anti-Soviet rhetoric, Mr Reagan indicated clearly that the US was prepared to accept staged cuts in nuclear weapons and was not insisting on moving directly towards the 50 per cent reductions in long-range nuclear missiles which the US has set as its negotiating target.

"We continue to seek a 50 per cent reduction of American Soviet arsenals ... if the Soviet Union wants only a lesser reduction, however, we are prepared to consider it, but as an interim measure." On intermediate range missiles in Europe Mr Reagan said thet the US was prepared to conclude "without delay" an interim agreement if Moscow insisted on pursuing the goal of eliminating such weapons on a global basis "in stages".

However, Mr Reagan reaffirmed his continuing commitment to the Star Wars Strategic Defence Initiative (SDI) saying that the US was prepared "right now" to sign an agreement on research, development, testing and deployment of strategic defence, and outlined Washington's conditions for such an agreement.

Mr Reagan's address, most of which was devoted to arms control, was clearly designed to suggest that the US is as ready as Mr Mikhail Gorbachev, the Soviet leader, for a summit which would produce an arms control agreement.

But Mr Reagan sharply criticised the arrest in Moscow on espionage charges of Mr Nicholas Daniloff, the US reporter. However, he carefully avoided explicitly linking the

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Stockholm accord, Page 20;

Shevardnadze, Peres in talks on Mid-East

BY OUR UNITED NATIONS CORRESPONDENT

MR SHIMON PERES, the Israeli Prime Minister, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, spent more than an hour yesterday discussing the Middle East conflict and possibilities for restoring diplomatic relations. It was the first high-level meeting between the two sides since 1984.

Their talk took place in a room near the UN Security Council chamber after they had listened to President Ronald Reagan's address to the General Assembly.

Mr Peres said the discussion was held in what he termed a "quiet atmosphere" during which they tried to work out the necessary steps for re-establishing ties broken by the 1967 Middle East war. He said many differences remained, but that a "fair start" was made.

Mr Shevardnadze said the Soviet side outlined some suggestions, but he declined to give reporters any details. The atmosphere for the meeting was "normal" he said.

The last time the two governments had high-level contact was during the 39th General Assembly, when Mr Andrei Gromyko and Mr Yitzhak Shamir, the Israeli Foreign Minister, conferred in the Soviet mission.

The Russians have been pressing for a UN-sponsored international conference on the Middle East. The Israelis, supported by the US, have resisted the idea while insisting that any such conference cannot possibly take place so long as the Soviet Union and Israel do not have diplomatic relations.

CONTENTS

Unifil troops to be redeployed to more defensible positions

BY ANDREW WHITLEY IN NAQURA, SOUTHERN LEBANON

UNITED NATIONS peace-keeping forces in southern Lebanon are to be redeployed to safer, more defensible positions, as the wave of attacks on their soldiers continues.

"We are efraid the fighting may intensify," said a senior official et Naqura, the headquarters of the United Netions Interim Force in Lebanon (Unifil). He warned that, if the violence persisted et its present level, or worsened, the 5,800-strong force may have to pull out of the region entirely.

Shooting incidents are reported daily, often resulting in casualties among the blue-helmeted peace-keepers. Last Friday, as they were commencing their pull out from Unifil's sensitive northern sector, ast of Tyre, another five soldiers from the French contingent were wounded.

The French redeployment, expected to continue over the coming days, is likely to be the start of the most far-reaching changes the nine-country force has seen since its arrival in Lebanon in early 1978.

Faced with a worsening environment, General Gustav Haggland, the Unifil commander, recently announced to Mr Perez de Cuellar, the UN Secretary General, that the troops be moved to stronger, better-manned positions—eliminating more vulnerable persons.

Criticised by some of the local population for its "ineffectiveness" in ending the continued Israeli occupation of e strip of Lebanese territory, Unifil for the first time has become a prime target in its own right.

Israel's reinforcement of its positions and those of its allies, the mainly Christian South Lebanon Army (SLA), in the wake of the recent upsurge in violence is, meanwhile, evidently in full swing.

According to Unifil, batteries of long-range, 155 mm artillery brought up from Israel into the Marjayoun aree last Thursday have been in action every day, pounding targets in the direction of Sidon.

Near Haris, e hotbed for the Shi'ite Amal militia—in the Irish sector of the UN zone—a column of armour and supply vehicles was observed yesterday making its way to a nearby SLA-Israeli stronghold.

Jailed Polish activist 'on total hunger-strike'

A POLISH peace activist jailed for refusing military service has gone on a total hunger strike to demand that he be covered by a government amnesty for political prisoners, members of an unofficial polish peace group said yesterday, AP reports from Warsaw.

Two members of the unofficial Freedom and Peace Movement, Mr Wojciech Jankowski and Mr Jaroslaw Nakielski, remain imprisoned for refusing the obligatory military duty although the Government says that all the country's political prisoners have been freed under the amnesty, said Mr Jacek Czaputowicz, e founder of the peace group.

Mr Jankowski, a 22-year-old Gdansk school teacher, had been on a "dry fast" refusing food and water since last Tuesday, a day after the amnesty expired, Mr Czaputowicz told reporters at a news conference

Mr Jankowski had lost 4.5 kg (10 lbs), and prison guards were to start force-feeding him on Monday, said Mr Czaputowicz, citing information received from Mr Jankowski's fiancée who visited him on Sunday

In e letter to the Navy court which sentenced him to 3½ years in prison last December, Mr Jankowski demanded to be freed and protested against attempts by the military intelligence service to "blackmail" him into co-operating with it.

Mr Nakielski, 23, e Warsaw student, remained imprisoned although he turned himself in to the military prosecutor last week to take advantage of the amnesty, Mr Czaputowicz said.

Mr Nakielski had been in hiding since escaping from e psychiatric hospital in April where he had been sent after refusing military duty.

Mr Czaputowicz said that the amnesty would be only a "one-time gesture" by the authorities unless "the problem of military service and the oath are regulated for good."

Vienna gets ready for next round of talks

By Patrick Blum in Vienna

REPRESENTATIVES from 35 nations begin work today in Vienna to prepare a new round of East-West talks designed to increase security and reduce tensions in Europe.

With the ink barely dry on the final document adopted by the Stockholm Conference on Confidence and Security-Building Measures and Disarmament in Europe (CDE), fresh delegates have been arriving in the Austrian capital for a third and new set of talks to be held within the framework of the Conference on Security and Co-operation in Europe (CSCE).

The full Vienna conference—known as the Vienna follow-up meeting — will officially open on November 4. Today's meeting which is set to end within two weeks, will prepare the ground and set the agenda and timetable for the conference. Officials in Vienna expect the meeting to go smoothly since it will deal only with organisational questions.

The conference itself will be broken up into two parts. The first part will review progress under agreement drawn up at the Helsinki conference on security and co-operation in Europe — the so-called Helsinki Final Act signed in August 1975 — at its first follow-up conference which ended in Madrid in 1983 and at the recent Stockholm conference.

IAEA meets on N-plant safety

THE BOARD of Governors of the International Atomic Energy Agency (IAEA) began a two-day closed meeting yesterday in preparation for a special ministerial conference starting tomorrow which will examine proposals to improve nuclear safety. *Patrick Blum writes from Vienna.*

The three-day special conference was called earlier this summer in the wake of the accident at the Chernobyl nuclear power plant in the Soviet Union last April which caused 31 deaths.

The conference will be attended by several ministers and senior government representatives from the agency's 112 member states including Mr Boris Shcherbina, the Soviet Deputy Prime Minister who led a government inquiry into the accident.

By-elections may be uphill fight for Ozal

BY DAVID BARCHARD, RECENTLY IN KILIS, SOUTHERN TURKEY

ELECTIONS in Turkey have something of the heady atmosphere of a carnival. When "Honeycomb," the election bus of the Motherland Party, trundled into the main square of this small provincial town, just north of Turkey's border with Syria, even the trees and rooftops were full of cheering spectators.

Children wore party political caps. Two light aircraft flew incessantly backwards and forwards bombarding the cheering crowd with leaflets urging them to *support* the Motherland Party's candidate, former under-secretary to the prime minister, Mr Hasan Celal Güzel, in Sunday's by-election.

Was it a triumph or was it show business? Until next Monday, nobody in Kilis and the other districts of Turkey will be sure. Certainly the show of strength by the Motherland Party of Prime Minister Turgut Ozal has not been without effort. Kilis has a mayor from the rival centre-right True Path Party (TPP) against whom Mr Ozal and the MP are fighting for political survival.

Mr Güzel told journalists that at the start of his campaign a month ago, the MP had had the support of only e fifth of the voters in Kilis. Today he reckons to be ahead.

Though Sunday's elections are only to fill vacancies in 11 out of 400 electoral districts, the political futures of almost all Turkey's major politicians could hang on their outcome.

Ordinary Turks seem pleased simply that they have the chance to express their views freely at the ballot box once more. In the 1983 general election, this kind of meeting, regarded as crucial in a Turkish election, was simply not possible with martial law and press censorship still in force.

With all the advantages of government, there seems little doubt that the Motherland Party is still the largest single political grouping in the country. It stresses modernisation, tolerance, and compromise. Citizens in this district and others joke ruefully that if the election were held a month later, their town would be like Paris, so great is the alleged channelling of government funds for public works on the eve of polling day.

Mr Ozal: double threat

But Mr Özal is fighting a double threat. His principal opponents in this Gaziantep province, and nationally, are the Social Democrats. They are not particularly well organised or well led, but they seem to have a real grassroots following. Mr Güzel will be hard put to beat them. In other provinces, too, key Özal lieutenants such as Professor Ekrem Pakdemirli, former Undersecretary of the Treasury and Foreign Trade, face possible photofinish results.

It is Mr Ozal's second set of opponents who pose the greatest threat to him, both splitting the anti-Social Democrat vote and posing a direct challenge to his leadership and that of the Motherland Party.

Mr Süleyman Demirel, the veteran former premier and right-wing leader whom the military threw out in 1980, has re-emerged as a charismatic leader whom peasants line the road to see in even greater numbers than they do for Mr Özal.

His supporters say he stands for "social justice, the end of military rule, true democracy, economic expansion — and the rights of farmers."

Mr Demirel, officially banned from returning to politics before 1992, is openly campaigning for his True Path Party — and though there are many farmers who support Mr Özal, there are many others in this country where half the working population is still on the land, who say they will vote

By contrast, Mr Bulent Ecevit, the other ex-premier who has founded his own party, is making less of a showing. Social Democrats in Kilis say that elthough they supported him formerly, they will not forgive him for splitting the centre-left vote.

Two doctors attend the 95-kg Prime Minister, watching to see if his health flags under the strain of e day which begins at seven and often ends well after midnight.

With the *crowds roaring* ecstatically at every word the prime minister spoke from his election bus, Mr Özal beamed and told them he was sure of victory.

Most of the Turkish journalists accompanying him were less sure. Mostly linked to the pre-1980 centre-right or Social Democrat Party traditions, they were hoping that the cheering was an empty ritual eccorded to any political visitor—and that next Sunday's elections would mark the beginning of disintegration of the PM's hold on power.

Italian investors reassured over tax on equities

BY JOHN WYLES IN ROME

ITALIAN investors yesterday appeared largely reassured that the Government was not about to follow up its decision to tax interest income of government securities with a capital gains tax on equities.

After a nervous start, the Milan stock exchange index closed marginally higher at 0.5 per cent but suffered a small setback in after-hours trading to finish 0.3 per cent down.

Clearly anxious about the blow to investors' psychology dealt by Friday's surprise announcement of a tax on income from all new government issues, Mr Bettino Craxi, the Prime Minister, went out of his way to reassure equity investors late on Sunday evening. "There are no measures envisaged for the stock market," he said in a speech.

Mr Bruno Visentini, the Finance Minister, is adamant that the state does not have the capability to tax the stock market. This point was emphasised at the weekend by Mr Carlo de Benedetti, the chairman of Olivetti.

Since the Government did not have the means to supervise the buying and selling of shares, any tax would yield virtually nothing while having "an enormous negative effect," said Mr de Benedetti.

Mr Visentini: adamant

The most significant visible impact of the new tax yesterday was extremely strong demand in the secondary market for "old" government securities which remain free of tax.

The next test of investor reaction will come tomorrow when the Treasury will sell L18,500bn (£9.1bn) of taxable short-term bills.

Production of steel falls sharply

STEEL OUTPUT fell sharply in August in the US, Japan and the European Community, extending a pattern seen in earlier summer months, figures published yesterday showed, Reuter reports from Brussels.

Industry sources said the falls reflect sluggish economic growth, the fact that other products are replacing steel in some fields, and expanding steel output in emerging nations such as South Korea.

The figures from the International Iron and Steel Institute show that US production fell 21.9 per cent compared with August 1985, while output in Japan and the Community was down 9.0 and 9.4 per cent, respectively.

The institute said total production in the 30 non-Communist countries which reported fell 7.8 per cent in August to 31.32m tonnes. In July, production in these countries was down 6.9 per cent, with US, Community and Japanese output falling 9.9, 10.8 and 10 per cent respectively.

European governments urged to boost jobs

By John Wyles in Rome

EUROPEAN GOVERNMENTS are urged by an international group of economists today to organise a simultaneous relaxation of fiscal policies and co-ordinated monetary expansion as part of a strategy for cutting unemployment to an average of 5 per cent.

Governments must aim for a sustainable 5 per cent per year growth rate which the economists say is an essential condition for providing the capital investment needed to create the new jobs.

Their recommendations are contained in the annual report to the EEC by the Macroeconomic Policy Group set up by the Brussels-based Centre for European Policy Studies. Prepared under the chairmanship of Prof Richard Layard of the London School of Economics, the report builds on the prescriptions proposed by the group last year, for supply-side measures to reduce labour market rigidities, accompanied by an expansion of demand.

If present policies remain unchanged unemployment in the EEC will still be as high as 10.4 per cent in 1990, says the report.

"Structural changes on the supply side, are required if employment growth is to be sustained, but a boost is needed to accelerate the progress. This boost must come from timely supply measures sustained and validated by demand." The fall in the dollar will make US exports more competitive and will destroy jobs in Europe's industries, says the report. "This will make it more necessary than before to provide a specifically European stimulus to demand," the economists say.

But big increases in capacity, will be needed to reduce unemployment, because European industry is now working only slightly below previous peak levels of capacity utilisation. No single country, with the possible exception of West Germany, can go it alone in encouraging the necessary capital investment because it would soon face a current account deficit and *serious risk of a falling currency* and renewed inflationary pressures, the report warns.

Temporary and simultaneous fiscal relaxation by EEC governments accompanied by particular incentives such as marginal employment subsidies, would help create the conditions for a faster rate of investment in capital widening (that is job creating) investment. This would be financed partly from reduced capital outflows because of a lower trade surplus, and partly by higher savings as consumption lagged behind the growth of income.

The report concludes that the allocation of savings for investment would be more efficient if governments regulated financial markets rather less.

* *Report of the CEPS Macro Economic Policy Group; Reducing unemployment in Europe; the role of capital formation. R. Layard, F. Modigliani, M. Monti, J. Dreze, H. Giersch. Economic Papers Number 47, Commission of the European Community.*

Italy, Greece in security accord

By Andriana Ierodiaconou in Athens

GREECE AND Italy are to step up co-operation against terrorism, drug trafficking and other organised crime under a security agreement to be signed in Athens today by Mr Antonis Droseyiannis, the Greek Minister of Public Order, and Mr Oscar Luigi Scalfaro, the Italian Interior Minister.

Greek and Italian officials say the agreement is primarily intended to promote the gathering and exchange of information by the two countries' security authorities. The agreement follows the recent spate of bombings in France which terrorist groups threatened last week to extend to Italy.

A Greek Government spokesman specified, however, that the agreement had been in the pipeline for some time. Greece has sought to improve security co-operation with its western allies since the hijacking of a TWA jet in June 1985 led to advice from Washington for Americans to avoid Athens airport. The US is understood to favour the drawing of a tighter southern European security belt through countries such as France, Italy and Greece as an important step in the fight against terrorism.

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Patrick Cockburn reports on Soviet efforts to break the networks of bribery flourishing in the country

High life and harsh death of Moscow's king of corruption

THE nine-month trial of senior officials in charge of Moscow's retail trade, which has just ended with heavy sentences, has for the first time shown how a network of corruption has spread over 20 years.

The key figure in the scandal was Mr Yuri Konstantinovich Sokolov, head of Gastronom Number One, the capital's best known food shop, who was executed for corruption in 1984. His trial provoked a wider investigation of theft and bribery in Moscow's retail trade which has *now ended with a* 15-year jail sentence for Mr Nikolai Tregubov, head of the city's trade directorate for over 20 years.

The daily Moskovskaya Pravda has provided fascinating detail of how Mr Sokolov, a taxi driver with a minor criminal record at the end of the 1950s, came to run Gastronom Number One in Gorky Street. Built as the Moscow equivalent of Fortnum and Mason at the beginning of the century, its large hall is still dominated by enormous chandeliers, engraved pillars and stained glass.

Publication of the facts revealed at the trial of Mr Tregubov and Mr A. Petrikov, his deputy at the trade directorate, show how corruption among trade officials in Moscow had reached saturation point by the early 1980s. The wide publicity given to their fate is clearly intended as a warning to others and is part of the campaign against corruption which started in 1982.

An instant black market forms inside the Gum department store in Moscow, as a customer tries to resell the jeans he has just bought. Shortages such as this provide fertile conditions in which corruption can flourish

At that time, Mr Sokolov and his friends were confident that they could protect themselves from any investigation. The newspaper describes how Mr Sokolov gave a party to celebrate his daughter's wedding for over 100 guests in the Praga Restaurant in Central Moscow. The guest list was carefully thought out: "Some were invited for prestige, some because of the jobs they held—they could help if anything went wrong."

As celebrations reached their peak in the Czechoslovak Room of the Praga guests started hurling crystal glasses at the walls, a traditional Russian way of showing the party is going well. A waiter remonstrated with Mr Sokolov, standing in the middle of the room: "Yuri Konstantinovich," he asked, "what is going on?"

"Just get out of here," said Mr Sokolov to the waiter without looking at him. He sipped some champagne from his crystal glass and hurled it against the wall.

Mr Sokolov had come a long way from the taxi driver's job he held in the late 1950s and which he had to give up when charged with cheating passengers. He then became an inspector in the organisation in charge of supplying haberdashery in the capital. A few months later he joined the General Trade Organisation where he met Mr A. Petrikov, his partner for the next 20 years, who was sentenced to 12 years in jail last week.

Through Mr Petrikov he became deputy head of Gastronom Number One, universally known as "Yesileevsky" by Muscovites after its pre-revolutionary owner. He also observed that the chief director was often drunk. One day when his boss "could not walk straight," he rang the chief directorate of trade and said: "Just come and see what's happening here."

His boss was fired and Mr Sokolov again went to see Mr Petrikov, now first deputy head of Glavtorg, the organisation controlling Moscow's trade. At his trial Mr Petrikov explained what happened: "Sokolov came to see me and told me that if I helped him to become director of Yeliseevsky Gastronom he would pay me 300 roubles (£300) monthly."

Where did the money come from? As soon as Mr Sokolov took over, explained the head of the fish department in the store, "he invited me to his office and suggested that I pay him 50 roubles a week." And so on, down the scale.

These bribes were ultimately funded by the customers. In 1982, just before the Gastronom Number One scandal was exposed, the Department for Struggle against Embezzlement of Socialist Property and Speculation (OBKHSS), carried out test purchases in shops across Moscow. In a single day inspectors found that in 156 out of 193 purchases they were cheated. Profits were passed up the line to Mr Sokolov and beyond.

Back handers from customers at Gastronom Number One were supplemented by another simple swindle. The plan for Soviet stores makes allowance for losses during storage and before sale. At Gastronom, fish, meat and sausage was written off under this heading—not difficult since the trade organisation was already in Mr Sokolov's pocket—even though real losses were small.

The profit made by Mr Sokolov, the other managers at the store and their allies in the trade directorate were vast, far more than they could spend. Mr Sokolov himself buried money, gold coins and jewellery near his dacha (country cottage) on the Moska River.

After his arrest police dug up bundles of rotting roubles from his garden. Another official did not spend the heaps of 100 rouble bills in his house because he was afraid of attracting attention to himself.

The gang was finally caught in 1983 when the KGB security police, not the ordinary police, became curious about a man who worked in a special shop for foreigners who always had lots of foreign currency although he never went abroad. Then they started investigating his wife, who worked at Gastronom Number One.

The sentences have been harsh: death for Mr Sokolov, sentences of 12 and 15 years for the head and deputy head of the Moscow trade organisation along with lesser terms for five officials and 18 trade workers.

Will it make a difference? The Soviet Supreme Court could find nobody approached by Mr Sokolov who refused to be bribed. But the publicity given to the Gastronom Number One scandal, plus the sentencing to death of the Cotton Minister of Uzbekistan for corruption last month and the revelation of other scandals may make such blatant swindles more difficult to carry out.

The key to the problem is not just a lack of quality products but that basic food prices in the Soviet Union are so low that they inevitably created excess demand hence shortages. Given much increased purchasing power over the last 20 years demand is met by vast secondary and black markets. While these conditions exist Mr Sokolov is bound to find successors.

Portugal reduces debt burden

By Peter Wise in Lisbon

PORTUGAL IS restraining growth of its $16bn (£10.85bn) foreign debt and plans to make early repayment in November of the $190m outstanding on a $300m 1980 Republic loan, the governor of Portugal's central bank said yesterday. The repayment follows a similar early settlement of a 1979 loan in July.

Mr *Jose Tavares Moreira* said in an interview with a Lisbon newspaper that Portugal had reduced foreign debt servicing by $1.7bn over both the short- and the medium-term by paying back more than it was contracting in new loans. He said the foreign debt now stood at the same level as in December—*just less than $16bn.*

He said devaluation of the US dollar was the chief reason for the halt in debt growth because 53 per cent of the foreign debt is in dollars. Lower oil prices have have also meant tremendous savings for Portugal, which imports close to 90 per cent of its energy needs. Oil imports during the first six months of 1986 are estimated to have cost $550m less than in the same period last year.

In this climate, the governor said Portugal could maintain a balance of payments surplus for the next few years. An IMF-backed austerity drive, since reinforced by the fall in oil prices, has helped turn the balance of payments from a 1982 deficit of $3.2bn to an expected $700m surplus this year.

Mr Tavares Moreira said one of Portugal's worst economic headaches was the domestic debt. But he added that the financing of the debt through Treasury Bills was having a positive effect, for the first time the deficit would not have to be financed through creating money.

He said that bad or dubious debts to the nationalised banking system totalled about Esc 400bn ($2.7bn), 15 per cent of total credit, but said that it was difficult to assess how much was recoverable.

Norway bars credit card fee

By Fay Gjester in Oslo

NORWAY'S GOVERNMENT is to bar international credit card companies from charging a fee to shops, hotels and restaurants which accept payment by the companies' cards. From December 31 all costs relating to such transactions must be borne by the card users.

The Government's decision, announced at the weekend, affects four companies — American Express, Diners Club, Eurocard and Visa. Norwegian credit card companies have never been allowed to charge businesses which honour their cards.

The announcement confirms a Finance Ministry ruling made several months ago, and originally due to take effect from July 1. The authorities agreed to delay enforcing it while the card companies argued their case—to no avail, as it turned out.

In the intervening weeks the four funded a massive advertising campaign aimed at influencing public opinion in their favour. American Express led the way, spending a reported NKr 1.5m (£140,000) on a series of full page advertisements in leading Norwegian newspapers.

Arab concern grows as Iran-Iraq war enters seventh year

BY TONY WALKER IN CAIRO

THE GULF WAR entered its 7th year today, amid increasing concern in moderate Arab capitals at the almost inexorable Iranian military and political pressures thraatening the Iraqi regime.

In Jerdan, in Egypt and in Gulf states, there is growing alarm at developments in the war, which appears to have turned against Iraq. Nagging questions are also being raised about the stability of the Iraqi Administratien.

"Most people think it is going very badly," said an official in an Arab capital friendly to Baghdad. "The war is a tremendous drain en Iraq."

Alarm among moderate Arabs over the war coincides with attempts by Gulf states to persuade Egypt, by far the strongest Arab military power, to increase the leval of its assistance to Iraq.

Such pressures are believed coming from Sanda Arabia, which together with Kuwait, is particularly fearful of tha effects of further Iranian gains in the long-running conflict.

Visitors returning recently from Baghdad speak of deteriorating economic and military circumstances. Shortages of consumer items are becoming more noticeable. Morale in tha armed forces, according to professional observers, is slipping.

Iraq's attempts to hold the Iranian town of Mehran which it captured in May in its first drive across Iran'a border in more than three years cost thousands of lives. Iran retook the town in July.

Worry about developments in the Gulf war intensified in February when Iran occupied parts of the Faw Peninsula at the southern tip of Iraq. For the first time in the war, Iranian troops moved onto Iraqi territory in strength and managed to hold their ground despite intense efforts to dislodge them.

The Faw offensive brought the war close to neighbouring Kuwait and beightened alarm among Gulf states whose econoomies had already been buffeted by more than five years of conflict on their doorstep.

This year's escalation of the tanker war has added to the discomfort of the oil-rich states

According to independent reports, Iraqi and Iranian attacks have hit some 60 ships this year, killing mere than 40 seamen, and making it the worst year for Gulf shipping since the tanker war began in March 1984.

Saudi werries about recent developments in the Gulf War appear to have been the catalyst for increased contacts between Riyadh and Cairo.

Earlier this year, King Fahd gave an interview to a senior Egyptian journalist which was seen here as a strong signal of Saudi interest in improving ties.

The Saudis also provided Egypt with 200,000 tonnes of wheat from their surplus stocks. At the same time, there have been persistent reports of an increase in informal contacts between officials of the two countries.

The Saudis may well have offered to fund increased exports of Egyptian military equipment to Iraq. Egypt may also be under pressure to provide more technical assistance to the Iraqis.

But in the Egyptian Government there is strong oppositien to direct involvement in the Gulf war. Egypt's costly experience on the side of the revolntionary government of North Yemen in the 1950s and 1960s is a painful memory among senior officials in Cairo.

Sri Lankan leader faces new threat

By Mervyn de Silva in Colombo

THE BUDDHIST clergy and President Junius Jayewardene's Gevernment are on a collision course fellowing a unanimous decision by leading representatives of Sri Lanka's three Buddhist sects to write to Mr Jayewardene this week demanding that his offer of provincial antonomy to the separatist Tamils be withdrawn.

Nearly 70 per cent of Sri Lanka's 16m population is Buddhist and the three sects manage the affairs of 17,000 temples.

If Mr Jayewardene does not agree, a newly-formed body called Movement for the Protectien of the Motherland (MPM), will launch an island-wide protest campaign. What form the campaign will take has not been disclosed yet.

The movement includes both the clergy and 32 lay Boddhist bodies although political parties have been kept out of the MPM. One of its two patrens is former Prime Minister Mrs Sirimayo Bandaranaike.

"I have accepted the post as a patriot and e Bnddhist and not as president ef the Sri Lanka Freedom Party (SFLP), she said.

Reuter adds: Security forces stermed rebel hideonts in the jungles of eastern Sri Lanka and killed 16 rebels, the government said yesterday.

Steven Butler in Manila reports on the increasing assertiveness of the Philippines, Defence Minister

Sense of drift raises doubt about Aquino's future

THE TRIP to the US by Mrs Corazon Aquino, the Philippine President, is billed in Manila as e "working visit" with the accent on working. But the visit will alse give Mrs Aquino a bit of a boliday, a chance to bask in American admiratien for her democratic revolution. When she returns beme next week, the boliday will be over.

Her personal popularity among the Philippine people has not faded, but it has started to become irrelevant. This is because Mrs Aquino has not set ebout building political institutiens that are loyal to ber. By default, this task is falling on others with political ambitions of their own.

Much of the spotlight is now shining on Mr Juan Ponce Enrile, the Defence Minister, wbe bas grown increasingly assertive in public with statements that can only be interpreted as thinly veiled warnings of a military coup.

"I'm running out of patience," he said recently, speaking about critics of the military in the government. "Maybe these people are net aware that when I lose my patience, I am like Rambo."

It was Mr Enrile wbo, together with armed forces chief Gen. Fidel Ramos, delivered the Presidency to Mrs Aquino by launching a military revolt against Mr Ferdinand Marcos, the deposed President. Mr Enrile was rewarded with the defence portfolio, a position he had held for 16 years under Mr Marcos.

But his connection with the fermer martial law regime has left him as the odd man out in a cabinet that is filled with Marcos opponents, including former (some say current) communists wbe spent many years in military jails. He is the lone voice in the cabinet expressing alarm about the 22,000-strong communist insurgency led by the New People'e Army (NPA).

Diplomatic and other observers discount the possibility of e military coup in the near future, despite constant rumours to the contrary. Mrs Aquino has not yet lost control and ber popularity provides a buffer of protection.

But with e referendum on a new constitution to be followed by national and local elections in the coming months, time is quickly running out for her. Mrs Aquino does not have her own political party, and assuming that elections are beld successfully, she could find berself a minerity President with little contrel over the Congress.

Even passage of the constitution in a national plebiscite is far from assured. Marcos loyalists, wbo still form an important voting block, are certain to oppose it.

Filipinos say that if the constitution only barely passes it will still be seen as e pelitical defeat for Mrs Aquino that may erode her ability to rule.

Mrs Aquino may also face a backlash from what is widely seen as one of her biggest political blunders — the summary dismissal by decree of all local elected officials. Many of these officials were part of the Marcos political machine, but by dismissing them all Mrs Aquine alienated many local power brokers wbe would have gladly swung to bar side.

Juan Ponce Enrile . . . "when I lose my patience, I am like Rambo"

Her Local Government Minister, Mr Aquilino Pimentel, bas appointed bundreds of replacements, but they arrived to find the coffers bare. The inability to spend money will burt their chances of competing in npcoming elections.

The appointments have also sparked clashes within the Government, with tha supperters of Mr Salvador Laurel, the Vice President, complaining that Mr Pimentel has unfairly favoured his ewn political supporters in the PDP Laban party, a left-of-centre group beaded by Mr Jose Cojuangco, the President'e brother.

Lining np on the right is the newly revitalised Nationalist Party, which is widely seen as the political vehicle for Mr Enrile, although Mr Enrile denies this and has not yet established formal ties with the party.

Mr Laurel, who is becoming increasingly isolated within the Cabinet, is expected to throw his own political erganisation, the United Nationalist Demecratic Organisation Unido), in with the Natienalist Party, thus forming a large conservative block behind the Defence Minister.

The Natienalist Party will then face the PDP-Laban and the Fight ef the People party, which was recently fermed by Mr Jose Maria Sison, founder of the Communist Party of the Philippines (CPP), and Mr Bernabe Buscayno, of the NPA. Both men were recently released from pail in a sweeping amnesty of political prisoners.

The eutcome of the elections is much too distant to see clearly, and the fine print of the constitution has yet to be written. But it seems plain that the process is rapidly slipping from Mrs Aquino's control.

All this takes place at a time when the army is growing increasingly restive and outspoken about the Communist insurgency, and about the left's skilful use of the new democratic atmosphere to broaden its legal ectivities, penetrate labour unions, and gain control of government jobs.

Gen Ramos, the armed forces chief, on Wednesday again sharply criticised armed Communist attacks against the military, citing new statistics that show an 11 per cent increase in incidents since March compared with the previous year. The hope that the removal of Mr Marcos would deflate the power of the left has now been dashed.

"These armed activities are intended to destroy the fighting will of the soldiers and are a deliberate effort to strengthen the NPA's position in the current ceasefire negotiations," said Gen Ramos.

The army is bitter about the Government's conciliatory attitude toward leftists while Government officials criticise human rights abuses by the army. In the meantime army patrols continue to be ambushed in the field.

Mrs Aquino's strategy, to the extent she has one, seems to be to give reconciliation a chance. Yet the result is a sense of drift and many Filipinos say they do not know where Mrs Aquino stands politically.

If the army sees its influence and interests seriously eroded in this political drift, and its soldiers continue to die from NPA bullets, it could well join forces with Mr Enrile in an act of self-protection.

Tokyo may crack down on the prosperous squirrels

By Gordon Cramb in Tokyo

AS THE Japanese Gevernment this week prepares te implement its package of measures to boost domestie demand, one sector of the economy has been revealed as needing no such stimuli.

To the chagrin of the authorities, though, the growth area is tax evasion. The specific culprits are well-off self-employed Japanese whe have been shovelling large amounts inte tax-free deposit accounts designed to benefit the small saver.

By personation and other ploys, in the year to June they pushed up the amount held illegally in untaxed interest-bearing deposits by 47 per cent to reach an estimated Y12,000bn (£78.9bn).

The Y3,600bn which the government agreed last Friday to inject in its pump priming efforts is rather dwarfed by contrast.

The extent which abuses have reached is now prompting official proposals te shut down the tax-exempt savings system in its entirety.

The government's tax council is set next month te recommend bringing nearly sll individual deposits into the taxation net, in a move likely to sweep aside decades of stasis in Japan's private savings industry.

Shake-up

Post office accounts, although excluded from the authorities' figures, are also expected to be included in a shake-up.

Individual savers in Jspan are allowed to have up to Y14m each on deposit without becoming liable for tax on the — relatively low — interest these acconnts accrue.

They assemble their quota in a cocktail of deposits spread among banks, securities houses, the post effice, and company save-as-you-earn schemes, most with a Y3m ceiling.

But self-employed merchants, doctors and the like have apparently become adroit at conducting pseudonyms and "borrowing" names of family and friends, in erder to squirrel away sums far beyond the allecated limit.

New findings by the National Tax Administration Agency show that the record level of illegal deposits across the country was made up of an average Y290m at each of the nearly 42,000 institutions which participate in the system. This excludes the 23,000 post offices which alone draw 20 per cent of all personal savings.

One Hiroshima medical practitioner was found to have Y214.5m placed with numerous financial houses across four prefectures.

Transgressions like his, Japanese are being told, may now bring an end to the savings system known as maruyu (literally, "priority circle," from the stamp on each account document denoting its tax-exempt status).

Lending rates

Maruyu deposits have underpinned a personal savings sector where interest rates are otherwise unattractively low. The structure has been designed to protect smaller financial institutions as well as support industry by holding down lending rates.

It has so far proved largely impervious to the deregulatien moves taking place elsewhere in Japan's financial markets.

The authorities acknowledge that the maruyu system withholds a huge amount from the money markets. The Ministry of Posts and Telecommunications, which saye it wants to see tax exemptions retained within a less regulated structure, says the isolation from market influences of its own deposits of some Y100,000bn "is not healthy for the economics and financial system of a country."

Persoual savings are crucially important in Japan because of the rapidity with which the society is ageing, it argues. Opposition to taxing small savings accounts is also likely to come from within the ruling Liberal-Democratic Party.

The council is due to make its recommendations to Mr Yasuhiro Nakasone, the Prime Minister, at the end of next month. By then, the Hiroshima dector and others may have recovered from demands for penalty taxes totalling Y42.1bn.

Miners halt South African service

BY ANTHONY ROBINSON IN JOHANNESBURG

A MEMORIAL SERVICE for the 177 miners killed in last week'e gold mine fire at the Kinross Mine east of Jehannesburg broke up in disarray yesterday as hundreds of chanting miners interrupted the ceremony.

A crowd of some 400 miners, many carrying sticks and chanting slogans, moved onto the football field in front of the makeshift pulpit where a white Afrikaner and two black clergymen were conducting the service.

The 400 miners called on the crowd of more than 3,000 to abandon the field and attend their own ceremony.

As the crowd of miners streamed off the field, white mine managers and Mr Peter Gush, general manager of the Chamber of Mines, were left on the first row of chairs as the service continued against a background of chanting from a distant corner of the field.

Black union organisers from the National Union of Mineworkers later intervened to move a crowd away from the refreshment tent where they were helping themselves, and pleaded with them not to give the media a bad impressien.

Miners from rural areas of Mozambique, Lesothe and the Homelands of South Africa called en the spirits to remember the dead and the crowds finally dispersed.

Meanwhile, unions affiliated to the Congress of South African Trade Unions (Cosatu), the largest union federation of which the NUM is a member, have gone back to their members to decide on what form of solidarity action they should take on October 1, declared a day of mourning last week by the NUM.

A Cosatu spokesman said that at this stage, it did not appear likely that Cosatu unions would jein the one-day stoppage declared by the NUM, but would show their solidarity in other ways.

Cosatu has asked to meat the Chamber of Mines to discuss the work safety issue and seek guarantees that miners taking part in the day of mourning would not be victimised.

But a Chamber spokesman said that the Chamber would conduct its negotiations with the NUM, its usual partner in wage and other negotiations.

In the wake of last week's accidents, the mining houses are urgently reviewing their safety procedures. Yesterday Rand Mines, one of the smaller mining houses, announced it was etripping polyurethane foam from its mines.

Toxic fumes from burning polyurethane cladding and coated cables are believed to have been the main cause of death and injury in last week's fire.

Last night, President P. W. Botha intervened in the controversy over mine safety by sending a telegram to the International Confederation of Free Trade Unions (ICFTU) in Brussels.

The telegram said responsible representatives of all foreign governments and mining industries were wolcome to visit South Africa's mines and judge safety standards for themselves.

Replying to an earlier telegram from the ICFTU, Mr Botha told Mr John Vanderveken, the union's secretary-general: "I sincerely hope I am wrong in my impression that your message regarding the national tragedy is an attempt to lay the blame at the doors of your choice."

Sudanese rebels claim 70 government soldiers killed

REBELS FIGHTING in southern Sudan have killed more than 70 Government soldiers in the besieged town of Kapoeta and burned down most of the town, they said yesterday, AP reports.

The Sudan People's Liberation Army, in a radio broadcast monitored in Nairobi, also said it had destroyed 14 buildings and killed three people in shelling attacks on the town of Torit.

The broadcast said both towns, in Equatorial Province east of the main southern town of Juba, had been under constant attack by the rebels since September 11.

The radie also said rebel forces "intercepted and successfully blocked" Government reinforcements

Government troops are confined to garrisons in about 12 besieged towns in the south.

International relief agencies say 2m-3m Southern Sudanese face starvation because of war-induced famine.

● Sudan has turned down an offer by the Libyan leader, Col. Muammar Gadaffi to unita the two countries, Sudan's Prime Minister, Mr Sadiq Al-Mahdi, told the newspaper Al-Seyassah.

Congress waters down bills to cut budget deficit

BY NANCY DUNNE IN WASHINGTON

THE US House of Representatives, facing an October 3 *adjournment, is focussing its* attention this week on money bills, including tax reform and a controversial budget packaga including schemes to cut the *deficit by $15bn (£10.2bn).*

More than two dozen appropriations bills, mostly minor, were to come to the floor yesterday and today, clearing the way for a vote tomorrow on a budget. The House bill is similar to one passed last week in the Senate, which seeks to cut the deficit to below the $154bn limit necessary to prevent across-the-board cuts under the Gramm-Rudman-Hollings Budget Deficit Act of earlier this year.

But both Houses, unwilling to make unpopular cuts in social programmes before the November elections or to raise taxes, are settling for bills which do little to cut the budget in the long-term and fail to meet the $144bn deficit goal set for fiscal 1987.

Senator William Armstrong, e Colorado Republican, described the bill as "a package of golden gimmicks, a package of smoke and mirrors."

The Senate bill calls for the sale of Government assets, imposes user fees on Government services and changes eccounting methods. It would raise $5.4bn from the sale of loans held by, among others, the Agriculture Department, the US Export-Import Bank and the Small Business Administration. It anticipates another $2.1bn would be raised from the sale of the Consolidated Rail Corporation (Conrail).

The House bill would squeeze $2bn more out of the deficit by selling Conrail's freight carrier as well as other Government loans.

On Thursday the House plans to take up the tax reform bill. While the measure has many critics, including Congressman Jim Wright, the majority leader, it has momentum behind it and is expected to win epproval.

House leaders plan to bring up e $567bn government operations bill, which will lead to confrontation with President *Ronald Reagan. The President* has promised to veto the measure, saying it overspends for domestic programmes and cuts too deeply into foreign aid *and Pentagon spending.*

Meanwhile, the bipartisan Joint Economic Committee has released the result of a staff investigation concluding that the US trade deficit is "even worse than the figures indicate" and is aproaching $200bn this year. According to the staff, recent trade figures have been distorted by the sale to Japan of gold which was purchased ebroad.

"The transaction apparently created no American jobs other than the minimal work in selling, insuring and transporting the gold," the report said.

Posner wins jail respite

BY WILLIAM HALL IN NEW YORK

MR VICTOR POSNER, the reclusive 67-year-old Miami financier, *has* won a brief respite in his long-running bettle to avoid being sent to jail on tax evasion charges. A Maimi judge yesterday over*turned an earlier conviction* and ordered e new trial.

Mr Posner was convicted in July of evading more than $1.2m (£816,000) in federal income taxes by *inflating* the value of land donated to a Miami bible college. Mr Posner faces a maximum sentence of 40 years in jail and a $75,000 fine.

However, a district court judge in Miami yesterday overturned the earlier verdict because evidence not heard in the courtroom was obtained and discussed by the jury. Jndge Eugene Spellman said the jury had show total disre*gard for his instructions.*

He said it was possible that Mr Posner's right to a fair trial had been prejudiced.

If Mr Posner *is imprisoned it could exacerbate the financial* problems of his sprawling financial empire which at its peak controlled more than 40 companies and was said to be worth over $4bn.

Spanish king calls for talks on Gibraltar

KING JUAN CARLOS of Spain *expressed hope yesterday* for a negotiated solution of what he termed the unjust situation over Britain's colony of Gibraltar, which is claimed by *Spain, Reuter reports from the* United Nations.

In an address to the UN General Assembly, the first of several world leaders including President Ronald Reagan to appear at the new session, he spoke of "residual colonial situations" and of Gibraltar as an anachronism.

"Spain maintains, vigorously and with the weight of the reason inherent in its cause, the will to find e rapid solution to the problem of Gibraltar, so that the Rock can be reintegrated into the Spanish national territory."

"A new chapter has opened up since the Brussels declaration of November 27 1984 and since the governments of the United Kingdom and of Spain decided in February 1985 in Geneva, to resolve the problem *in all its aspects, including that* of sovereignty, through negotiation.

"This new phase is dominated by the hope of putting an *end* to an *unjust situation* without harm for the interests of the local population."

AP adds: Mr Jevier Perez de Cuellar, the UN Secretary *General, faced with* the worst financial crisis *in* the UN's 41-year history, says he is not certain be will seek a second five-year term this autumn.

In an interview in the New York Times, he said: "I don't see any reason why I should preside over the collapse of the organisation."

The UN would run out of money by the end of the year if the US decides to cut its assessed contribntion of $210m, or a quarter of the UN budget.

Mr Perez de Cuellar wants guarantees from Washington that it will pay dues this year, despite Congressional cuts that could go as high as $149m, or 70 per cent of what the US is *required to pay. The UN chief* also wants other countries that owe money, including the Soviet Union, to make an effort to pay.

"If I don't have assurance of support for my next mandate, I don't know why I should stay . . . Even if it sounds inelegant, finances have very great importance."

Bernard Simon on why Ottawa's budget deficit problems won't go away

Regional problems retard Canada's economy

WHEN THE Canadian Finance Minister, Mr Michael Wilson, was introduced as the guest speaker at a banquet in Toronto last week, he was reminded that the day after his appearance was announced, the Toronto Stock Exchange took its steepest dive in half a century.

The *jocular remark* sent a twitter of laughter through the room. But it is also a sober reminder that the Canadian economy has recently performed in a most unhelpful way for a Government devoting a large part of its energies to improving a sagging political image.

As part of its efforts to raise opinion poll ratings, the Progressive Conservative Government is expected to use the opening of a new session of Parliament on October *1* to map out its political strategy for the two or three years which remain before the next general election must be called.

The state of the economy shows, bowever, that the Tories' room for manoeuvre is much more limited than it appeared to be a year ago.

The main purpose of Mr Wilson's appearance was to disclose that slowing economic growth and increased official support for hard-pressed western Canadian energy and grain producers bave led to an unavoidable rise in the federal Government's 1986-87 budget deficit from the original target of C$29.5bn to C$32bn (£14.5bn-£16bn).

Canada's budget deficit, at around 7 per cent of GDP, is already among the highest of any industrial country. Federal public debt has almost doubled in the past three years.

Ottawa's success in bringing down the budget shortfall has thus become an important measure of Canada's economie prospects.

Mr Wilson did his best to offset the slippage in his deficit forecast by paintiug a bright picture of the state of the economy. He pointed out that, in *spite of* overshooting the original target, the deficit will fall in fiscal 1986-87 for the second year in a row. Government spending remains on target.

Since the Tories came to office in a landslide election win in September 1984, Canada has enjoyed one of the strongest growth rates among OECD countries. Its GDP grew by 5.6 per cent in real terms in 1984, and by 4 per cent last year.

Unemployment has dropped from 11.7 per cent to 9.7 per cent. Inflation has remained constant at around 4 per cent. Banks' prime lending rates bave fallen from 12 per cent to 9.7 per cent.

There is a less rosy side to those figures, bowever. The recovery has been unevenly spread

Michael Wilson: bright picture

among Caneda's diverse regions, and the picture is becoming more distorted as depressed energy and grain prices hit Alberta and the Prairie provinces.

Much of the growth of the past three years has centred on the Ontario-based car and bome-building industries. Ontario is expected to post a growth rate of close to 6 per cent this year, while Alberta's economy will probably shrink in real terms. The country's overall growth rate will slip to 2-3 per cent.

The strong growth in indus*trialised Ontario has contributed* to a sharp deterioration in the foreign trade balance. With imports at record levels, Canada in July posted its first trade deficit in ten years. Oil and gas exports dropped to C$256m in July from C$419m a year earlier.

Domestic interest rates have come down, but the need to hold up the Canadian dollar by attracting foreign capital has kept the gap between US and Canadian sbort-term rates unusually wida for much of this year.

In spite of the sharp fall in inflation since the *early* 1980s, prices in Canada are still rising twice as fast as those in the US, by far its biggest trading partner.

One reason is a relatively strong trade union movement. Canadian members of the International Woodworkers Union voted last week to break away from the organisation because their colleagues south of the border agreed to accept a wage cut before expiry of a lebour contract.

Time lost through industrial disputes is expected to double this year. Among the stoppages currently interfering with key Canadian exports are disputes involving grain handlers at the Great Lakes port of Thunder Bay and sawmill workers in British Columbia.

Mr Wilson could, of course, have chosen to stick to his *original deficit target* by raising taxes or further pruning government spending. But neither course is politically acceptable at present.

The everage family tax rate in Canada has elimbed from 25 per cent to 35 per cent in the past 25 years, and the Governments' share of gross national product (GNP) has ballooned from 30 per cent to 46 per cent. Far from raising taxes egain, the Mnlroney Government has announeed tentative tax reform plans.

Cutting Government spending is politically risky at a time when the pace of business activity is already slowing, when some sectors genuinely need official support, and when the ruling party has begun to set its eye on the next general election.

The Government has seldom shown an inclination for tough, bold decisions, and it seems unlikely to change now. Mr Wilson said last week that further large spending cuts cannot be made "without significantly affecting spending on regional economic support programmes and social assistance."

Instead, Mr Wilson appears to be banking on factors over which the Canadians have little control—a revival of the US economy, greater benefits from falling oil prices and interest rates, and stronger markets for some of Canada's other resource *exports,* like *gold,* base metals and forest products.

Chile police hold German teacher

THE WEST GERMAN Foreign Ministry summoned Chile's ambassador to Bonn yesterday to demand the release of a West German-born schoolmistress arrested by Chilean secret police, Reuter reports from Bonn.

Mr Vasco *Undurraga was in*formed that officials wanted access to the woman, Ms Beatriz Brinkmann, and demanded that she be freed.

Ms Brinkmann, who has West German and Chilean nationality, works et a German school in the Chilean town of Valdivia.

West Germany's Green Party said *she* was a member of a human rights group in the town and had been arrested with 11 other members of the group.

West German *consular* authorities in Chile have discussed Ms Brinkmann's detention with the governor of Valdivia, who had undertaken to mediate on her behalf with the Chilean authorities.

Hungry miners are turning to cocaine, reports **Roger Attwood**

Bolivia struggles to survive tin price crash

THE STEEL-BARRED lift known as "the cage" goes clanking down the 1,650-ft shaft to the bottom of Bolivia's Siglo XX mine, where miners have been hewing out tin for a century. But at the bottom of Siglo XX today, there are no chisels and no drills.

Instead, 600 miners lie quietly on the bedrock with blankets over them, on hunger strike to protest against plans by the Government that could close their mine and 10 others. They are victims of Bolivia'e economic depression which, officials say, threatens to lay waste the country's centuries-old mining towns and create a social catastrophe.

Few countries in the world depend as much on mineral prices as Bolivia and the collapse in tin prices has meant that the country now faces the prospect of seeing three cities virtually disappear from the map, four centuries after Spanish settlers founded them.

"The drop in tin prices has been cataclysmic for Bolivia," said Mr Jaime Villalobos, the Mining Minister. The Government is planning to close up to 11 mines and drastically reduce operations at five others as part of a sweeping restructuring of the state mining company Comibol.

The company's tin production fell to 10,000 tonnes last year compared with 21,400 tonnes in 1978. Tin accounted for up to 70 per cent of the country'e total exports until the late 1970s.

The number of unemployed miners could rise to 22,000, or more than three-quarters of Comibol's normal level, adding to an official unemployment estimate of 19.5 per cent.

President Victor Paz Estenssoro, who was elected in July last year, introduced an economic austerity plan in 1985 to try to halt Bolivia'e inflation rate then running at 22,000 per cent. Following spending cuts, tax increases and a wage freeze, the annualised rate for the five months of this year ending in August, has been reduced to 20 per cent.

But Bolivians have paid a high price. The minimum wage stands at the same $30 a month it was a year ago, while prices have risen slowly to international levels. The number of beggars in the streets of La Paz has grown and unemployed miners have moved from rural areas to the city slums.

According to Monsignor Julio Terrazas, president of the Bolivian Episcopal Conference, more still may head for the foothills of the Andes—cocaine country. Bolivia is believed to supply half the world'e cocaine. A report issued earlier this month by the Bolivian Senate said the country produced $3.85bn worth last year, compared with a legal gross domestic product of $2.86bn.

Bolivian and US troops began joint operations in July to eradicate the cocoa crop after US-financed efforts last year proved unsuccessful. Police say the troops dealt a heavy blow to local coca plantations and destroyed seven major cocaine processing plants. They failed to nab any major traffickers, however, and the long-term impact of the operation on the traffic is not yet clear.

The Senate report said that despite an infusion of foreign currency, the cocaine trade actually drains money away from the local economy and has created both a tiny, untouched mafia of drug executives and a "brutally exploited" underclass of small-scale traffickers.

Left wing opposition leaders who attacked Mr Paz Estenssoro for allowing American troops on Bolivian soil also say the *drug* trade has worsened poverty and made Bolivia even more dependent on the whims of demand abroad.

The 78-year-old president declared a state of siege late last month as some 7,000 miners marching in protest neared the capital. Saying that leaders of the march would create chaos if they arrived in La Paz, Mr Paz Estenssoro sent troops, tanks and combat aircraft to disperse them.

At the same time police arrested 162 opposition trade union and political leaders accused of seeking to take advantage of the miners' march to overthrow the Government. Fifty-six of the 162 have been banished to internal exile in two villages in the Amazonian jungle. — Reuter.

WORLD TRADE NEWS

Tokyo accepts criticism of trade policy

BY CHRISTIAN TYLER, TRADE EDITOR

JAPAN HAS accepted a statement issued on behalf of the world's main trading nations that implicitly blames its manofscturing export surpluses for creating serious world trade problems.

The statement came after the launch this weekend in Uruguay of a new round of negotiatione within the 92-member General Agreement on Tariffs and Trade (Gatt).

During the Uruguay meeting, Japanese ministers fought off an EEC move to have their country's trade policy obliquely attacked in tha final declaration and agenda.

But they agreed to a statement from the chairman, Mr Enrique Iglesias of Uruguay, that called on unnamed countries to tackle "growiog disequilibria" by changing their economic policies.

Japan's assent was described as unprecedented yesterday by Mr Paul Channon, British president of the EEC trade ministers. "It's a face-saving thing for them," he said.

"This is a major step forward. We shall be able in the negotiations to argue that these are points that must be tackled," be added.

The statement records Japen's objection thet the EEC'a proposed clause might have authorised discrimination against it in violation of Gatt principles.

But it goes on to say: "Nevertheless it was common ground that growing disequilibra in world trade constitute a serious prohlem and will need to be tackled by the countries concerned by various policy means including macroeconomic policy, exchange rates, structural reform and trade policy."

Ministers elso agreed another coded criticism of Japan that calls for "genuine efforts to ensure mutual advantages and increased henefits for all participants."

The EEC, US and some Asiap countries have complained constantly that Japan has enjoyed the benefits of the free-traders' cluh without doing anything fundamental to eucourage imports of manufactures.

Yesterday Mr Tetsuo Konda, Japan's minister for economic planning, replied to US criticism of its policies, saying it was not realistic to demand rapid reduction of Japan's $50bn trade surplus with the US.

Mr Paul Channon: "a face-saving move"

Neither a further appreciation of the yen nor an increase in domestic demand would have a significant impact on the surplus. "It is not realistic end it is not even a good thing to rectify our imbalances too soon, too quickly," Mr Konda said.

Commenting yesterday on the outcome of the Gatt talks, Mr Clayton Yeutter, US Trade Representative, claimed it was "a great result for the US." He edded: "Everything we wanted on the tahle was there." Mr Channon also said that all the central Britisb objectives had been achieved.

The inclusion of agriculture in the new Gatt round was an amazing echievement, according to Mr David Lange, New Zealand's premier, but import barriers and subsidies would not be removed quickly.

In Brussels, EEC diplomats were reported to have said thet the community hed prevented the Common Agriculturel Policy from being singled out for attack, but they were aware that the EEC posed the higgest obstacle to free trade in farm products.

The diplomats said the EEC aim was to focus attention on US farm practices, whose benefits for farmers almost equal the Community's more "transparent" subsidies. The Community also hoped to highlight forms of indirect subsidy for farmers

US group 'offers F-16 to replace Lavi jet'

THE US has proposed licensing Israel to manufacture 300 F-16 fighters to replace its controversial bome-mede Lavi project that is expected to run into production over-costs, reports AP-DJ from Tel Aviv.

The offer was mede last week in Washington to Mr Yitzhak Rabin, Israeli Defence Minister, by General Dynamics, which manufacturers the F-16, on behalf of the Pentagon, the Jerusalem Post reported yesterday.

The newspaoer said the proposal included a US offer to help set up the industrial infrastructure required for manufacture of the jet.

Mr Rahin told the Americans that scrapping tbe Lavi fighter jet would be a costly proposition, with Israel having to pay hundreds of millions of dollars to US companies for contract cancellations.

The Daily Davar, another newspaper, said Mr Rahin believed that the US would drop the idea in view of the high costs involved, hut that Israel bad not made a final decision

The Davar also wrote that the Pentagon proposal involved joint Israeli-American production of a jet based on the body of an F-16 but with aeronautical systems developed by Israel.

The Defence Ministry declined to immediately confirm or deny the report.

The Lavi is nearing completion of the development stage but the test flight, scheduled for September, has been postponed indefinitely.

The US and Israel are divided over the production costs of the Lavi. Pentagon experts estimate the fly-away cost of each jet would he $22m (£15m) while Israel puts tbe figure at $15m.

The US is concerned that Israel will use np all its US aid funds on the Lavi and not have anything left for other projects

Israel has contended that the project is vital for advancing its domestic arms industry and preventing a hrain drain from the country.

Mr Rabin has warned that cancellation of the project would put 2,000 engineers out of work.

Our Trade Staff adds: Last week it was reported that Israel Aircraft Industries and Grumman, the US eerospace group, have agreed to examine the possibility of jointly producing and marketing the Lavi fighter aircraft.

Protests on ski standards put Japanese in a flurry

BY IAN RODGER IN TOKYO

THE JAPANESE Government, faced with a torrent of foreign criticism and ridicule over its newly established standards for skis, is trying to find face-saving ways of undoing the damage to its image caused by the issue.

However, European governments, angry at Japan over a number of trade issues, are in no mood to help. Led by the European Commission, they have turned down Japan's proposal for an international conference in Tokyo to harmonise Japan's new SG-mark standard with international ISO standards.

They have also rejected Japan'a cleim that it will take at least eight months to modify the SG-mark. They demanded in a recent aide-memoire that it be suspended immediately.

The storm over the ski standards blew up earlier this month when it emerged that Japan had developed its own set of standards for skis rather than adopt ISO standards. The standard began to appear on skis in the shops last month.

The authorities claimed that e special Japanese standard was needed partly because Japanese snow was wetter than European or North American snow.

Outraged European ski makers, which supply about half of the Y72bn (£320m) worth of skis sold in Japan annually, charged that this was another example of Japan's tendency to set up non-tariff barriers to protect its domestic manufacturers.

They said it was astonishing that at a time when Japan was trying to improve its behaviour as an international trader, the country would do something like this in one of the rare consumer product sectors in which foreigners had a large share of the Japanese market.

Ministry of International Trade and Industry (Miti) officials initially said that they had no responsibility for the SG-Mark standard. It was developed by the non-profit Consumer Production Safety Association (CPSA).

However, Miti officials confirmed yesterday that CPSA had been set up by the Ministry in 1973. Miti, which provides 20 per cent of its funds and has the power to approve or reject any proposed CPSA standard, said it was very upset about the furore caused by the SG-Mark standard for skis.

Ministry officials said the SG-Mark system was not intended to be a non-tariff barrier. It had been set up to help consumer elaims on products which tended to be involved in many accidents, such as pots and pans and baby prams.

The idea was that a minimum safety standard would be set. Then manufacturers wishing to use the SG-mark on their products would subscribe to an insurance fund that pays compensation immediately when an accident occurs.

The ski case was a logical one, officials said, because there were more accidents involving skis than with any other type of sports equipment. However, skis were different from the other products in that most of them were imported.

The CPSA has pointed out that the Japanese import agents of foreign ski manufacturers were inivited to participate in the development of the standard, but Miti officials acknowledged yesterday it was regrettahle that the manufacturers themselves had not been invited.

Also, Mr Kiyoshi Mimura, CPSA's executive director, has justified the creation of the local standard by citing the fact that the ISO standard for skis has so far been delineated only partially.

Miti officials said there were national standards in Austria, West Germany, Switzerland and the US covering many of the criteria not yet included in the ISO standard, so there was no reason why Japan, which has a very large number of ski consumers, should not establish its own standards.

However, they acknowledged that they were insensitive to the possible trade abuse implications of the standard. Now that this has been made clear, they said they would monitor the market carefully.

European manufacturers fear that ski salesmen will tell customers that Japanese skis are better than imported ones because they have the SG-mark.

Miti officials said that the reaction of the Europeans bad been excessive. Only a few Japanese manufacturers, accounting for about 10 per cent of tbe domestic market, had decided to join the SG-mark scheme.

Indian deal on Harriers close to completion

BY JOHN ELLIOTT IN NEW DELHI

BRITAIN is finalising negotiations with India to supply eight Sea Harrier jump jets worth around £100m, bringing the total number of Sea Harriers in the Indian Navy to 27.

The letter of intent was signed some weeks ago for these eight, but the final consent has not yet been completed. Admiral R. Tahiliani, chief of naval staff, is in London this week on an official visit and will discuss the terms and equipment.

Negotiations on the contract are going ahead, despita the low point reached in diplomatic relations hetween India and the UK over various issues, including the activities of militant Sikhs in Britain.

The UK has lost some of its competitive advantage, which, in the past, stemmed from strong historical ties between the two countries. But India is, nevertheless, going ahead with UK orders when there is no alternative supplier.

The series of Sea Harrier orders, coupled with Sea King Westland helicopters and Sea Eagle missiles, is one of Western Europe'a most successful attempts to ensure that India buys defence equipment from the West, as well as from the Soviet Union. It started with a £50m order in 1979 for eight Sea Harriers and was followed last November hy an order totalling £150m for 11 more with missiles, which included an option for the latest eight.

India is buying the HMS Hermes aircraft carrier from Britain for £60m to service the Sea Harriers. It has also been talking to Swan Hunter of the UK and other countries' shipyards about building a new carrier.

UK moves on imports ban

BY OUR TRADE STAFF

BULK iron and steel imports into the UK from South Africa will be banned from Saturday, following the EEC's agreement to e limited package of economic sanctions in protest against apartheid.

Importers were told yesterday that the ban would cover most categories, but not ferro-alloys nor iron ore.

Contracts concluded before the EEC ban was gazetted last Friday will not be interrupted, and goods on their way to Britain on or before that day will be allowed in.

China nears signing on nuclear plant

DETAILS were still being finalised late yesterday for the signing today of contracts for what will be China's largest foreign investment project, a $4bn (£2.7bn) nuclear plant at Daya Bay, near Guangzhou, writes Robert Thomson from Peking.

Sources said yesterday that the British and French government export credits for the project will total almost £1.4bn, with Britain contributing just over £200m. The loans cover the cost of turbines from Britain's GEC, and the nuclear reactors from Framatome of France and engineering design by Electricité de France.

The loans will be made to the Bank of China, with repayments beginning when the first generator is commissioned, which is expected to be in 1993. The amount is to be repaid over 15 years, with interest set at the OECD consensus rate.

Negotiations for the plant began in 1979, with agreement on prices for the imported equipment finally reached in late December last year. Letters of intent were signed in March, and discussions have continued since than on the financing of the package.

Peking reports rise in flawed imports

BY ROBERT THOMSON IN PEKING

CHINESE anthorities have reported an inorease in the number of substandard imports this year, but did not specify from which countries the poor quality products were bought.

Diplomats believe the issue of sub-standard imports has political significance because some Chinese officials are hesitant about making large-scale purchases from overseas and are known to be particularly concerned by purchases of flawed goods from Japan.

Last year resentment against the influx of Japanese goods culminated in student protests. Besides the issue of any Chinese dependence on its old adversary Japan, there is also the ideological question of how far China should he reliant on imported goods.

The State Administration of import and export commodity inspection reported that about 11.2 per cent of all imports were below standard in the first half of this year, an increase of just over 1 per cent on the same period last year.

Zhu Zhenyuan, the bureau's deputy director, was reported in the official Business Weekly as saying that domestie customars have "suffered great losses dealing with some foreign suppliers," although be did not give any names.

Zhu said that the 8,817 cases of poor quality goods reported in the first six months fell into four main categories: sub-standard vehicles (a company in north-eastern China found that about 90 of the 153 buses and vans it imported did not meet specifications), sub-standard workmanship, low-quality metals (one factory found cracks in 10,000 tonnes of hot rolling sheets) and commodity adulteration (a factory in Guandong province, in tbe south, received four tonnes of corn starch instead of skim milk powder).

Provinciel officials have also complained that some joint venture partners do not provide the equipment that is specified under venture contracts, with second-hand or outdated technology sometimes being given to Chinese partners. Officials complain privately that Japanese companies, in particular, will provide initial equipment et reasonahla prices but then charge excessively for replacement parts.

Slide in world tractor demand causes lay-offs

BY NICK GARNETT

A STEEP slide in the worldwide demand for agricultural tractors has caused Massey Ferguson to announce its first compulsory redundancies since the early 1970s.

The company, part of the renamed Varity Corporation, said some of the 150 redundancies among its total UK staff of 1,700 would be compulsory.

The staff cuts will affect office workers at its Banner Lane plant in Coventry, the Western world's biggest tractor factory, and at its sales, marketing and headquarters building at Stoneleigh, Warwickshire.

The Banner Lane plant has been crippled by a strike, now in its third week, of 900 indirect workers, including maintenance and forklift truck drivers. The dispute started over a disagreement about work allocation. More than 1,000 assembly workers have been laid off.

The company said yesterday that the redundancies had nothing to do with the dispute. It also said that it hoped to cope with sliding demand by short-time working

Banner Lane exports 90 per cent of its tractor output. Worldwide demand for tractors above 40 horsepower is down so far this year by 14 per cent.

Output from all tractor plants in the UK, which ranks with Italy as the Western world's largest producer of wheeled tractors, actually fell amost 19 per cent in the first six months of this year, according to the Agricultural Engineers Association.

Miners join stoppage

BY OUR LABOUR STAFF

MINERS at a pit in Durham, northeast England, went on strike yesterday in support of a 24-hour stoppage by mechanics who had stopped work in response to British Coal's recent pay award.

Mr David Hopper, leader of the National Union of Mineworkers in Durham, urged miners in other areas to take similar action.

Durham's 8,000 miners will wait for the outcome of tomorrow's meeting between the NUM and British Coal before deciding whether to start a "mid-week" overtime ban next week.

WESTERN SCIENTISTS WILL DISCUSS CO-OPERATION IN MOSCOW

Soviets may put Briton in space

BY PETER MARSH

PROSPECTS for putting a British astronaut into space on board a Soviet vehicle may come closer as a result of a meeting in Moscow next week between officials from the two countries.

The meeting is a further sign from the USSR that it is interested in collaborating with Western countries in space science and technology.

The three-day gathering, arranged at the behest of the Soviet Union about a month ago, will discuss general areas where Britain and the USSR could co-operate in space science.

Mr Roy Gibson, director of the British National Space Centre and the leader of the UK team to visit Moscow, said yesterday that the discussions could embrace the proposal, which the USSR made informally three months ago, that a UK citizen could go into space on a Soviet space craft to conduct space experiments.

This earlier invitation was made during a visit to Moscow of UK members of parliament. At the time, the UK Government promised to consider the proposal.

In another move indicating a more open approach on space co-operation, the USSR has already invited Western satellite companies to put their payloads into orbit on board the Soviet Union's Proton rockets. Launch services in the West have been delayed as a result of technical faults affecting Western Europe's Ariane rocket and the US fleet of space shuttles.

The hiatus in shuttle flights has disrupted the UK's plans to put a person into space. Squadron Leader Nigel Wood, due to be Britain's first astronaut, should have flown on a shuttle in June but is now grounded indefinitely.

The seven-person team from Britain to visit Moscow includes two leading UK space scientists, Professor Peter Willmore of Birmingham University and Professor David Southwood of Imperial College in London.

BA tries to safeguard southern Africa access

BY LYNTON McLAIN

BRITISH Airways tried to win approval yesterday for flights to safeguard its access to southern Africa in the event of sanctions on flights to South Africa.

The airline gave evidence to the Civil Aviation Authority on the first day of a public hearing into the competing bids by BA and British Caledonian Airways (BCal) to start air services between London and Gaborone, Botswana, on the border with South Africa.

The UK Government refused to accept the ban on flights to South Africa recommended by the Eminent Persons Group set up by the Commonwealth heads of government under the Nassau accord last year. The Hague declaration by the members of the European Community, including the UK, this summer called for a ban on the import of South African Krugerrands and iron and steel but did not call for a ban on flights.

British Airways was concerned about the political sensitivity of the applications to the CAA to start flights between London and Gaborone, but the airline was unabla to comment on its plans yesterday because of the run-up to its privatisation early next year.

Today's £7m relaunch admits early errors

BY RAYMOND SNODDY

TODAY, the revolutionary colour tabloid which failed to live up to expectations, is trying again with a £7m promotional campaign and a contrite face.

"We're saying: 'Wa got it wrong.' It would have been stupid if we had gone on saying Today was a great newspaper. Wa said that six months ago," Mr Terry Cassidy, Today's managing director, said yesterday.

The television advertising campaign, which is costing £900,000 this week alone, goes on to emphasise the changes that have been made since the disastrous launch in March.

Apart from increased news coverage and the claim that they have now got the colour right, the advertisements promote the four new extra sections, Money, Woman, Weekend and Sport, which will run from Wednesdays to Saturdays.

A new game, Clue Ball, based on the position of the balls in a real snooker game begins next week with £1,000 in television equipment as prizes every day.

Mr Cassidy said six to nine months' work on what was effectively a relaunch was compressed into just over two months to meet yesterday's deadline.

French boost GEC bid to keep airborne warning contract

BY DAVID BUCHAN

GEC'S bid to keep its contract to provide Britain with an airborne early warning (AEW) system was yesterday strengthened with a public endorsement from British Aerospace (BAe) and with further reports of potential French interest in buying it.

At a press conference at the GEC Avionics factory at Radlett, north of London, Mr Bill Alexander, the company's managing director, said GEC had made all its promised improvements to the troubled Nimrod radar within the six-month time schedule and the £30m cost agreed with the Ministry of Defence in march.

GEC, which is trying to fight off strong US competition for the AEW contract, was committed to getting a first batch of three Nimrod AEW aircraft into service in autumn 1987.

Mr Sydney Gillibrand, managing director of BAe's civil aircraft division, yesterday used the occasion of the GEC press conference to come out openly in support of the GEC bid.

BAe, which has worked with GEC on the Nimrod programme, was now convinced that recent improvements to the GEC radar made an all-British AEW system the best option for the Royal Air Force, he said.

If for some reason GEC failed in the competition, then the second best option, Mr Gillibrand said, was that which would use a British airframe – the placement by BAe of the US-built Grumman radar in the Nimrod. Hitherto, BAe has sat on the sidelines, as the various contenders for the prime contract have sought to enlist maximum support from UK defence sub-contractors.

GEC also disclosed that last week officials of the French Defence Ministry and air force had visited the company and had expressed interest in trying out a Nimrod AEW aircraft over France later this year. GEC had agreed to the request.

France is now surveying the same major AEW options as Britain with a view to saving money by a common purchase of the same system by both countries. If it bought the GEC radar, it would put it in a different, and probably French, airframe since production of the Nimrod aircraft has now stopped.

Saatchi shares fall after US resignation

BY ALICE RAWSTHORN

SHARES in Saatchi & Saatchi, the international business services group, fell by 10p to 635p yesterday on the news that Mr Robert Jacoby, chairman and chief executive of Ted Bates, the US agency which Saatchi took over in May, had left the agency.

Saatchi is now in the process of reviewing the structure of its communications division.

Mr Jacoby relinquished his post on Thursday. He has since been offered a "senior post" within Saatchi's communications division. His departure came after confrontations with both the Ted Bates board and the Saatchi main board over his proposals for senior management changes at Ted Bates.

In Mr Jacoby's proposals the president of the Ted Bates agency in New York, Mr Donald Zuckert, was to move into an administrative post to be replaced by the executive vice president of global development, Mr John Nichols.

After days of conflict within Ted Bates Mr Anthony Simmonds-Gooding, chairman and chief executive of Saatchi's communications division, confronted Mr Jacoby. As a result Mr Jacoby has given up his post as chairman and chief executive, to be succeeded by Mr Zuckert.

The $450m (£300m) merger between Saatchi and Ted Bates, which fulfilled Saatchi's long-held ambition to become the world's largest advertising agency, has been far from happy.

Since the merger's completion, Ted Bates has lost a series of advertising accounts because of perceived conflict with accounts handled by Saatchi. Ted Bates' losses of substantial clients such as Warner Lambert and Colgate Palmolive was followed by the decision two weeks ago by Procter & Gamble, the world's largest advertiser and Saatchi's largest client, to remove $50m of business from Saatchi.

NatWest shares service

BY OUR FINANCIAL STAFF

NATIONAL WESTMINSTER Bank is today launching an experimental share information service in eight branches. Called Market View, it will enable customers to use screens to obtain information about share prices and the stock market, as well as investment advice via a "hotline" to NatWest's stockbroking subsidiary, Fielding Newson-Smith.

The branches will also be linked by computer to Fieldings to initiate and confirm transactions.

The scheme is one of a number of projects launched by the banks to bring stock-exchange services directly to their customers as a result of the changes brought about by the so-called Big Bang.

UK AEROSPACE

Airbus cash support puts Government on the spot

BRITISH AEROSPACE is expected to submit to the Government some time later this year its request for launching aid for its share of the work on the next generation of European Airbuses — the A-330 high-density twin-engined medium range jet and the A-340 long-range four-engined airliner.

Precise details of the amount to be sought are still being clarified, but it is expected to be not less than £500m, for work on design, development and production of the advanced technology common wing to be used for both aircraft.

Although designed for different roles, the two aircraft will be built together on one assembly line with common fuselage size as well as common wings, and common systems.

The way ahead for both aircraft depends entirely upon the cash support that will be forthcoming from the European governments that are the shareholders in Airbus Industrie—the UK, West Germany, France and Spain.

For it is clear that none of the companies involved—BAe in the UK, Deutsche Airbus (which includes Messerschmitt-Bolkow-Blohm and Dornier) of Germany, Aerospatiale of France and Casa of Spain—has the internal funds to cover the estimated $4bn (over £2.7bn) cost of the prospective joint A-330/A-340 venture.

The possibilities of spreading this cost, and reducing the ferocity of competition in world markets for the next-generation jets, by collaboration between Airbus and the Douglas Aircraft Division of McDonnell Douglas of the US, have faded.

Talks between them over recent weeks have been officially described as "inconclusive," which in effect means that there will be no collaboration in the foreseeable future, although both companies declare that they are ready to explore other possible "areas of common interest."

Those talks foundered because neither side was prepared to give up its most cherished ambition—Airbus the desire to widen its programme into a "family" of jets by building both the high-density medium-range A-330 and the long-range A-340 for routes of low traffic density, and Douglas to build a successor to its long-running *DC-10, the MD-11 tri-jet.*

At tha recent Farnborough air show, both companies stood firm. Douglas said that it intended to go ahead with the MD-11, and that it already had commitments for seven aircraft from three airlines and needed only another 13 aircraft committed to permit formal launch. It also said it was already contemplating further versions of the MD-11 for even longer ranges and higher payloads.

Douglas' view was that Airbus should drop the A-340 and join it on the MD-11, with Douglas then co-operating on developing the A-330.

Airbus' reply was blunt. It had no intention of dropping the A-340, which it claimed was attracting increasing interest in world markets. Nor would collaboration on the A-330 alone make sense, because apart from being part of a dual aircraft strategy even that aircraft would clash with the MD-11 on *trans-US flights, or similar* medium-to-long routes.

Mr Jean Pierson, president of Airbus, said that in any event, the Airbus strategy was to develop the A-330 and A-340 together, with common fuselages, wings and systems, and that to split them by dropping *the A-340 and continuing the* A-330 alone would not be a viable proposition either technologically or economically.

Airbus Industrie is now putting considerable energy into refining the costs and technical details of the A-330/A-340, and discussing them with airlines world-wide. Later this year, the *Airbus Board will review the* situation, and make a final commitment on the aircraft.

At that stage, it will invito its member companies to subscribe cash in proportion to the amount of work they want out of the new venture.

It will then be up to those companies to decide what to do *—stay in,* or withdraw. *All are* expected to want to stay in, but whether they will be able to do so will depend on how far they can convince their governments to put up the money.

The sum is considerable. The earlier estimates of $2.5bn for development costs have been revised upwards and are now *believed to be closer to $4bn,* if not more.

BAe, which wants to build the advanced technology common wing for the aircraft, and on which it has already done much design work, will need to put up between $750m and $1bn, or over £500m. BAe has *a stake of 20 per cent* in Airbus, but the work involved on the common wing will probably account for more than 20 per cent of the total cost of the A-330/A-340.

It will ask the UK Government for all of it, in the hope of getting some. It says it cannot subscribe it all by itself, because its own cash reserves are already committed on other civil aircraft ventures, especially the 146 regional jet airliner and the Advanced Turbo-prop aircraft.

It could borrow the money, but is reluctant to do so because it would encumber its balance sheet with a long-term interest debt before any cash came back from aircraft sales—probably involving several years.

The Government could find itself in a dilemma on the issue. To grant all the money sought in launching aid could lay it open to a charge of excessively supporting the venture from public funds, even on a repayment basis, to help an industry that is already one of the most well-supported by the Government, especially through defence votes.

Although BAe itself has only received launching aid for civil ventures on the Airbus A-320 airliner, other aviation programmes on which it is involved—Hawk, Harrier jump-jet, missile and space ventures—do have Government support, with substantial cash for the new Eurofighter also on the verge of being sought.

Moreover, Airbus Industrie has yet to earn profits, and there is no guarantee that the UK Government will get its money back on the launch aid already provided for the A-320, let alone on any support for the A-330/A-340 ventures.

At the same time, however, to deny launch aid for the A-330/A340 could result in BAe withdrawing from those ventures (although it would continue existing Airbus work), and thus the valuable advanced technology wing development would pass to continental or even US companies. For Airbus has made it clear that its new aircraft will be built, with other partners if BAe or anyone else drops out.

The trade unions, conscious of the potential loss of jobs if the A-330/A340 wing work went overseas, are already pressing for Government support.

Thus, a delicate balance will have to be struck by the Government. The last thing it wants is major political storm on a par with last winter's Westland affair, especially when it also already faces other aviation problems, such as what to do about the future of the Nimrod airborne early warning aircraft—buy American or continue to support the Nimrod, in each case at considerable expense.

BAe recognises that it will have to present its case to the Government carefully, and that it will have to mobilise public opinion on its side. The next few months, therefore, could be particularly critical not only for the company, but also for the UK aerospace industry as a whole.

Michael Donne

UK NEWS

Tory leadership faces policy challenge from party supporters

BY JOHN HUNT

THE AGENDA for next month's Conservative Party annual conference shows strong dissatisfaction among the Tory rank-and-file at the way the Government is presenting its policies in the run-up to the next general election.

There are 90 motions on party policy and public relations, most of them critical of what is perceived as a failure to put the Government's message across to the electorate.

This unusually large number of hostile resolutions indicates that the party faithful will be meeting in a troubled mood for the crucial conference in Bournemouth which could be the last before a general election.

The agenda reflects great concern over education which tops the list with 140 resolutions, and law and order with 96. Intense worry about the continued high level of unemployment is also reflected. There are 51 motions on employment, many urging the Government to do more to reduce the number of jobless.

The debate on taxation, a central theme in all parties, will come up at the conference although it is not mentioned in the motion chosen for the economic debate. However, resolutions from the constituencies give a warning that tax cuts should not be made at the expense of public services.

Mr Peter Walker, the Energy Secretary, who has been critical of government policy, will be talking to the Tory reform group about the future course of the party and addressing two other meetings. Mr John Biffen, leader of the House of Commons, who has not always been in step with Mrs Margaret Thatcher, Prime Minister, will talk to the reform group on the need to win a third term.

Mr Norman Tebbit, party chairman, will be in the firing line at the conference. Yesterday, when he launched the agenda, he shrugged off the many hostile motions. He predicted that he would have a "pretty good story" to tell about what the Government had been doing. He thought the large number of resolutions on education was not surprising in view of a teachers' dispute and the need to improve standards.

Mr Jeffrey Archer, deputy chairman, said that, when he toured the constituencies a year ago, he had been very depressed at what he had seen, but now morale had improved, and he felt a lot happier.

Liberal assembly, Page 12

Higher European coal demand forecast following Chernobyl

BY MAURICE SAMUELSON

A REPORT on Europe's market for power-station coal assumes that Britain will go ahead with the controversial nuclear power station at Sizewell on the east coast of England and that by the year 2005 three plants of the same kind will have been commissioned.

But with politicians still influenced by the disaster at Chernobyl in the Soviet Union, earlier this year, it expects most European nuclear plants still at the planning stage to be replaced by new coal-fired power stations.

The report, issued by DRI European Energy Services, says the size of the power-station coal market over the next two decades is also clouded by uncertainty about electricity demand growth and by the volatility of oil prices.

It predicts that the amount of coal Europe's power stations burn could rise from 170m tonnes in 1985 to between 207m tonnes and 246m tonnes in 2005 but makes three major qualifications:

- If the oil price settles again at $10 a barrel, some 31m tonnes of power-station coal could be displayed by 1990, cutting the coal used to 19m tonnes below the 1985 level.
- A deviation of only 1 per cent from DRI's central forecast of electricity demand growth rates would mean the amount of coal burned could range between 178m tonnes a year and 254m tonnes in 1995 and between 181m tonnes and 358m tonnes in 2005.
- Premature closures of nuclear plants because of Chernobyl might boost coal burn by only 4m tonnes a year by 1990. But a reduced nuclear programme could boost coal usage by 21m tonnes by 2000 and by 48m tonnes by 2005.

DRI foresees little growth in the industrial fuel markets where coal can compete but currently holds only a 9 per cent share

European Coal Markets – Prospects and Risks; available from DRI Europe, 13 rue du Quatre Septembre, 75002, Paris.

EEC ministers discuss new jobs strategy

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

EMPLOYMENT ministers from the European Community yesterday began a two-day meeting in Edinburgh which Britain hopes will lead to the EEC adopting a new strategy in its approach to fighting unemployment.

The ministers are discussing a set of proposals aimed at creating jobs which concentrate on assisting small businesses and fostering self-employment, and encouraging more flexible working practices.

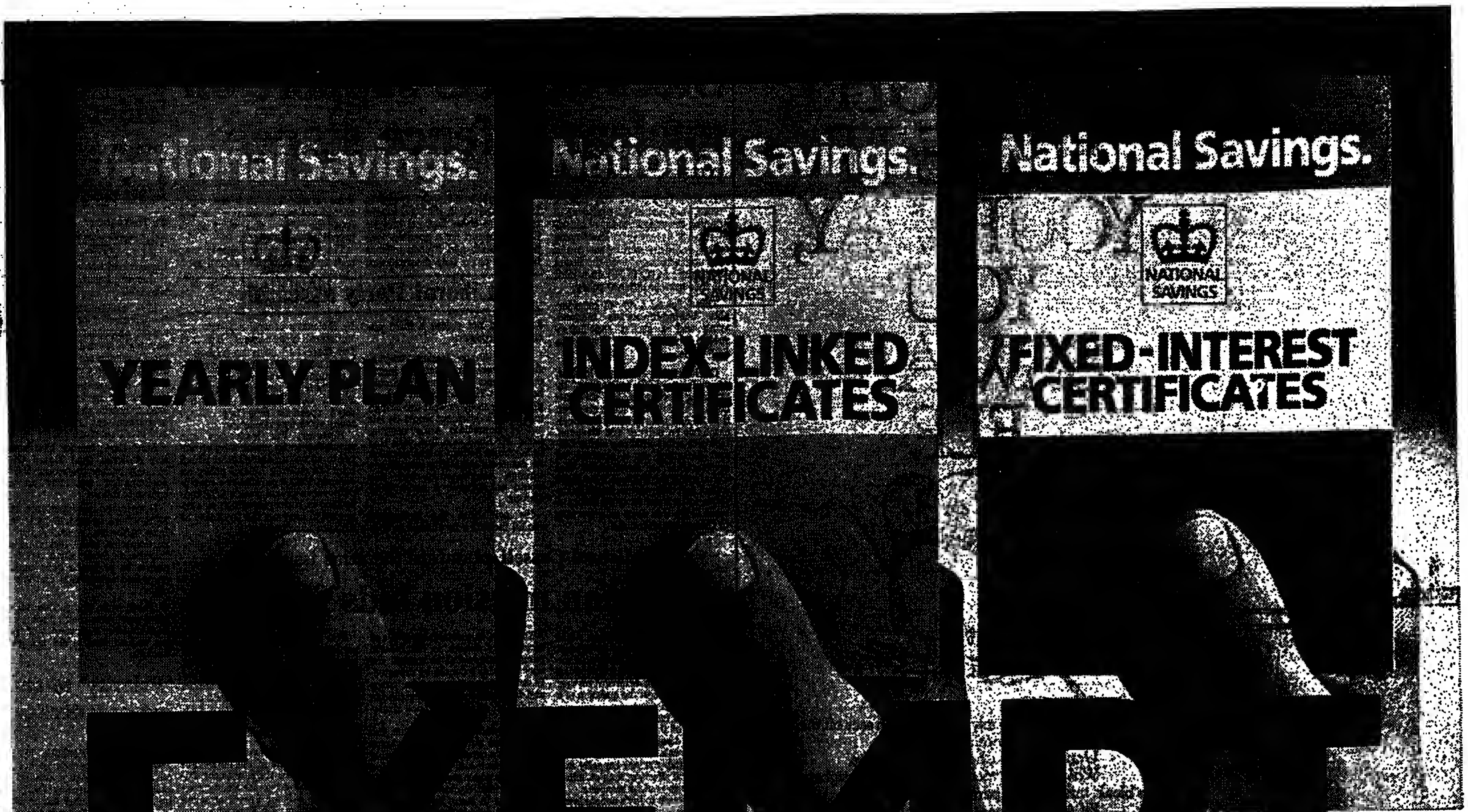
The meeting is chaired by Lord Young, the British Employment Secretary, since Britain currently holds the presidency of the Community. The ministers are examining a document drafted by the employment ministers of Britain, Italy and Ireland.

Yesterday Lord Young and Mr Kenneth Clarke, the UK Employment Minister, explained at a press conference that the proposals being considered constituted a major shift in the way the EEC employment ministers' council has approached the Community's employment problems.

Britain wants to put the emphasis on freeing constraints on employment, in line with the policies pursued by the Thatcher Government in Britain. The British team points out that the two other employment ministers who drafted the document being considered in Edinburgh are both Socialists – Mr Gianni de Michelis of Italy and Mr Rory Quinn of Ireland.

Linen promotion

EUROPEAN linen-producers are to launch a multi-million pound campaign to boost the fabric's profile. Retailers will be asked to ensure that all linen goods carry a label with a L symbol, and manufacturers will be regularly checked to see that certain standards are reached.



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Monthly payments are simple to make by standing order and you can stop when it suits you.

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NATIONAL SAVINGS

UK NEWS

Steel expects support on nuclear defence stance

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the Liberal leader, was last night confident of winning the support today of his annual party assembly in Eastbourne for a flexible negotiating position in reaching agreement with the Social Democratic Party (SDP) on a joint Alliance nuclear defence policy.

This followed a day of considerable behind-the-scenes manoeuvring and a skilful conciliatory speech from Dr David Owen, the SDP leader.

Dr Owen pleased Liberal leaders, as well as SDP colleagues, by stressing the need for disarmament. This follows recent criticism that he had been placing too much emphasis on defence and weapons. However, after what one senior Liberal described as a seminar on arms talks, he emphasised that Britain and the Alliance must show a firm and clear commitment on defence to be listened to on disarmament. This was seen as a warning to Liberal unilateralists.

Last night in a lengthy speech to Liberal candidates, Mr Steel sought to reassure them that his and Dr Owen's support for a possible pooling of British and French nuclear resources could help disarmament and would not create a third nuclear superpower.

Both Alliance leaders emphasised the latest international initiatives on arms control and the Stockholm talks. They noted that both superpowers accepted that the British and French deterrent would be left out of immediate arms negotiations. Mr Steel said that with this background Britain might abandon its deterrent capability unwittingly through obsolescence, but this would not achieve a non-nuclear Europe.

He said that the leadership should therefore be allowed to continue discussions and the party should not try to dot the "i"s and cross the "t"s on the policy to be presented to the electorate.

The tone of these remarks was regarded as politically skilful even by the many Liberal supporters of unilateral disarmament, but they felt there had been no change of substance in Dr Owen's support for a continued British nuclear capability. There is also criticism of Mr Steel's Euro-initiative, so yesterday's speeches may not change many votes by themselves.

However, the leadership has strengthened its position by agreeing to accept an amendment which refers to existing Liberal policy on defence. This is parallel to a conciliatory move at last week's SDP conference in Harrogate which was intended to increase the flexibility of Alliance negotiations.

Liberal Party assembly

Michael Cassell examines the arms issue

European mission bids for time

ALLIANCE LEADERS last night made strenuous efforts to protect their fragile, joint initiative to explore the chances for a European nuclear minimum deterrent further while leaving open the question of a Polaris replacement.

The issue represents for the Alliance one of the greatest areas for potential disagreement, given Dr David Owen's readiness to maintain a British nuclear capacity and the Liberal Party's long-standing opposition to nuclear weapons.

But although today's debate is expected firmly to underline the Liberal Party's continuing commitment to non-nuclear defences, its leaders believe that they will win more time to continue their European mission.

Last week's SDP conference voted to give Dr Owen, the party leader, the widest possible room for manoeuvre in continuing to investigate, with the Liberals, the opportunities for a European nuclear defence policy. Yesterday, the Liberals launched a repeat exercise aimed at an altogether tougher audience.

Dr Owen, in a noticeably cool and conciliatory speech to his Liberal partners, attempted to smooth the way for today's debate by repeatedly emphasising the need for peace and for disarmament alongside his call for an effective defence strategy.

He reminded delegates that the debate was not just about defence but about a commitment to sensible disarmament and the formulation of a policy which would make sense to the British electorate and prove acceptable to Nato. But he emphasised that only if Britain appeared committed and firm on defence, would its calls for disarmament be taken seriously.

Mr Steel, in an evening rallying call to the Liberal Parliamentary Association, said it was undesirable at this stage to work out the fine detail of an Alliance policy which would not be put to the test at a general election until 1987 or 1988. The assembly, he said, had to establish as clearly as possible the principles on which the policy would be based, against a backdrop of change.

The Liberal leader said that, by pooling British and French nuclear resources, the two countries could exert a stronger influence on the course of disarmament both within Europe and globally. Alliance policy, he stated, had to be based on "genuine defence and real drive for international disarmament."

But yesterday also revealed the strength of some of the opposition within the Liberal Party to the European alternative. Mr Paddy Ashdown, the MP for Yeovil, attacked the suggestion of a European component to the Western nuclear deterrent. An independent nuclear capacity, he claimed, would complicate and undermine the process of arms control and should be resisted.

Mr Simon Hughes, the MP for Southwark and Bermondsey, who last week called for the Liberals to restate their commitment to a non-nuclear Europe, said he could not support the leadership in its latest effort. Lord Tordoff said he believed the Liberals had to "edge away from the nuclear fallacy."

Demand for wider share in industry

By Tom Lynch

THE GOVERNMENT had stolen the Liberals' slogan of profit sharing but had not adopted the policy which went with it, the assembly was told.

Ms Chris Graham (Wiltshire) said the Chancellor of the Exchequer's recent proposals for profit-related pay might seem like a great leap to the Government, but for the Liberals it was only a small step.

The conference overwhelmingly backed her motion, urging wider worker participation in industry, encouragement for co-operatives and profit sharing.

Lord Ezra, former chairman of the National Coal Board (NCB), strongly backed the motion but said participation was not an easy course to follow.

Drawing on his experience at the NCB, where, he said, he had tried to have effective consultations and participation at all levels, he said: "You need a lot of faith and determination to persuade both management and unions that this is desirable."

● There was unanimous support for a resolution seeking more overseas aid after a succession of speakers argued that it did not go far enough.

'Priority' to end industry decline

By Ivor Owen

MR PADDY ASHDOWN, MP for Yeovil and the party's spokesman on trade and industry, assured the assembly that reversing the decline in the manufacturing sector would be an economic "priority" for Liberals in government.

He attacked the Government's complacency in face of the fact that Britain had now become a net importer of manufactured goods and had a lower level of industrial investment than all the other members of the EEC, apart from Belgium and Denmark.

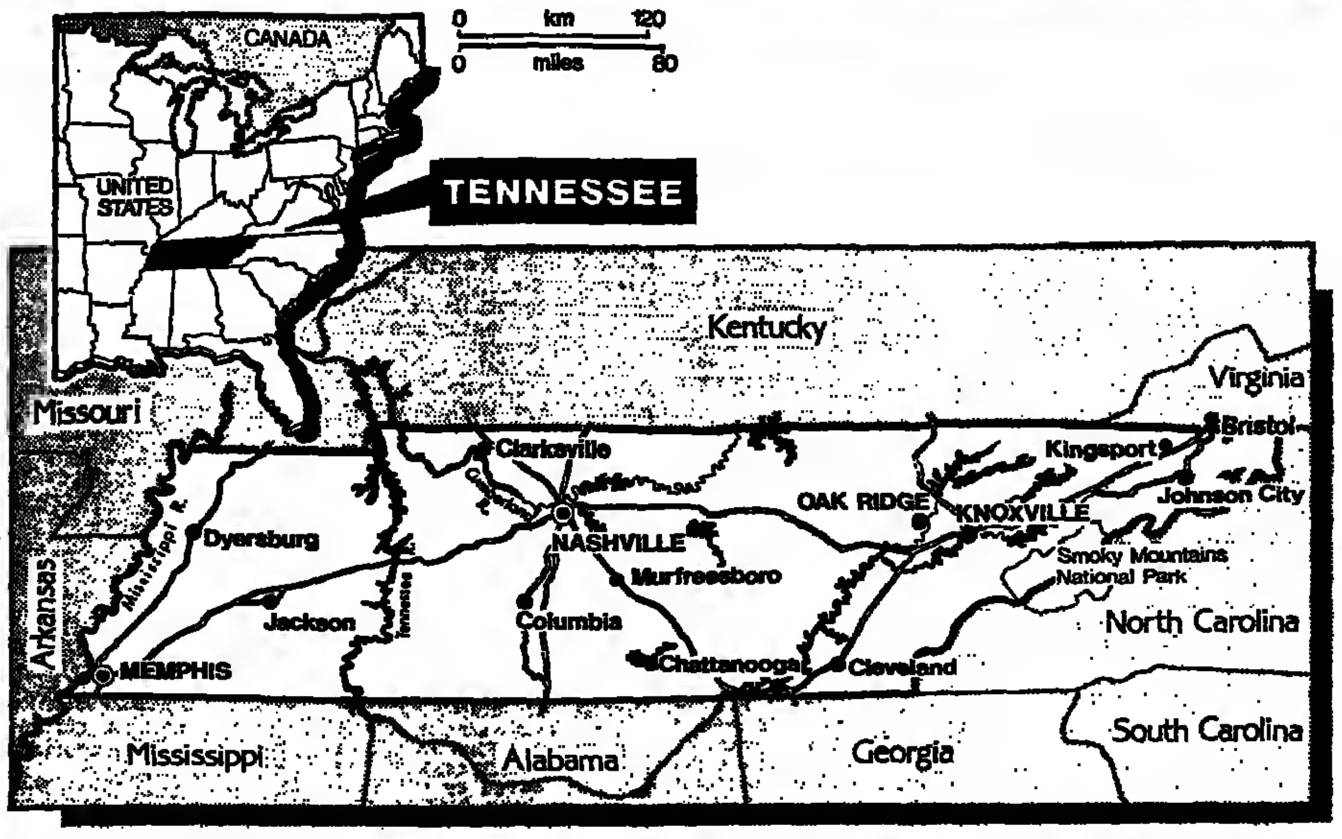
Mr Ashdown also criticised the "slick operators" in the City of London who earn fabulous sums chasing a "fast buck" rather than investing in the long-term prosperity of Britain.

FINANCIAL TIMES SURVEY

Tuesday September 23 1986

Tennessee

Business is sweeping into the US state, which promises it will provide tomorrow's jobs but fight to retain yesterday's values



Tidal wave of investment

Survey written by Clay Harris

TENNESSEE is setting America's agenda for the late 1980s. If the state can deliver its promise of "tomorrow's jobs, yesterday's values," it will establish itself as a success symbol of the decade.

Thousands of tomorrow's jobs are coming with a tidal wave of new investment. On the crest is General Motors' $3.5bn Saturn plant, won last year against fierce competition from other states.

Home-grown entrepreneurs are leading the nation in the development of new services that catch the American mood—from private prisons to education management consultants. Yet Tennessee remains relatively poor among US states and also faces a haemorrhage of jobs from traditional industry. Boom in one part of the state may explode with a political bang in others if growth is not more evenly spread.

If education is one of the foremost of yesterday's values, Tennessee is already leading the way with a Better Schools programme intended to improve basic skills at the primary level, emphasise science and maths in secondary schools and establish centres of excellence in the state universities. The programme includes "merit pay" for teachers—payment by results—the first state to enact the hotly debated principle.

"Tomorrow's jobs, yesterday's values" bears the imprint of Governor Lamar Alexander, architect of the state's international success in attracting more than $1bn in Japanese direct investment since 1979. In two terms (the state's limit) the Republican governor has dominated the Democrat-controlled legislature and spelled out his own priorities for Tennessee.

It is a measure of his accomplishment in this Southern state that his slogan carries no political overtones. It communicates instead the ties to the past and to the land felt by black and white, city and mountain dweller alike—the tradition of civility and hard work.

Homecoming '86, another state promotion, also illustrates Governor Alexander's knack for catching and moulding the mood of his fellow Tennesseans. It celebrates tradition, provides an incentive for volunteer cleaning up of many a down-at-heel small town—and those tourist dollars don't hurt. The co-chairmen, Roots author Alex Haley and country comedienne Minnie Pearl, would balance any ticket, especially in Tennessee.

Tennessee has been defined as "southern" for more than a century. But it originally was "western," the first frontier for white settlers coming over the Appalachians Tennesseans got their name as Volunteers by oversubscribing any call to arms, sometimes paying for the right to enlist. They flooded to Texas to fight against the Mexicans, and the state's most famous ex-Congressman—David Crockett—died at the Alamo.

Tennessee has long been America's cultural crossroads. Country met western, blues met bluegrass, Elvis Presley left Mississippi for Memphis, where jazz musician W. C. Handy had already put Beale Street on the map.

Nashville has grown from "Music City" to "The Third Coast," and the faithful can worship anywhere from Elvis's Graceland shrine in Memphis, to a Grand Ole Opry untamed by a theme-park setting, to Ms Parton's own Dollywood in the shadow of the Smoky Mountains. Tennessee has five official state songs, at last count.

Tennessee has now discovered that it occupies the economic crossroads of America's largest market. With the shift to the Sunbelt, 50 per cent of US population now lives within 600 miles of Nashville.

"We have just popped into the centre of the US market," says Governor Alexander.

The state's largest cities have good access to interstate highways. Memphis boasts one of the fastest growing US airports, thanks to Federal Express, world leader in small-package delivery, and is a "hub" for Northwest Airlines flights. Nashville is building a $200m terminal, in part to accommodate the growing operations of American Airlines' new "mini-hub."

Tennessee is also the most centrally located "right-to-work" state. Its laws prohibit closed shops, or any form of compulsory union membership, giving it a recruiting advantage over neighbouring Kentucky, which is closer to mid-west and north-east markets.

As close as it is to important markets, Tennessee itself is a broad and diverse state, with three "grand divisions" separated by geography, history, economics and culture. With pride, and perhaps with resignation, Tennesseans point out that Bristol, in the far north-east of the state, is closer to Canada than to Memphis.

The three regions—east, middle and west Tennessee—dominate the state's political life even more than political parties. East Tennessee may have been staunchly Republican for 125 years, but woe betide the Republican governor who tries to give it a new prison but not a medical school.

If there is anything East and West Tennessee can agree about, it is that middle Tennessee gets more than its share of everything good, largely because the state capital is in Nashville. When the world says Tennessee is the new industrial Mecca, often these days it means middle Tennessee.

In the 5½ years to July, middle Tennessee received more than 54 per cent of the state's $11bn in new or expanded investment, against 33 per cent for the east and only 13 per cent for the west. The central region also won 41 per cent of the resulting 112,000 new jobs, against 35 per cent and 24 per cent for east and west respectively. Almost $1bn in building permits were issued in Nashville last year, the highest total for any south-east city and 10th in the US.

"One of the challenges is how do you spread the benefits to the rest of the state," says Dr John Gnuschke, a Memphis State University economist.

Economic performance will have to pick up if the promise of tomorrow's jobs is to be fulfilled. From 1979 to 1985, the state's non-agricultural employment grew by only 4.7 per cent, lagging well behind the US figure of 8.8 per cent. The Nashville metropolitan area led the state with 17.2 per cent growth, and north-east Tennessee's industrial Tri-Cities (Kingsport, Bristol and Johnson City) added 11.1 per cent. Memphis and Knoxville both exceeded the state average, but Chattanooga barely added any jobs in the six years and the non-urban areas of the state showed 3.4 per cent growth.

Tennessee's per capita income has levelled off at just above 80 per cent of the US figure since the early 1970s, the end of its steady post-war improvement. In the past five years, however, Tennessee has improved its ranking from 45th to 40th among US states. But regional disparities also prevail here. Nashville exceeds the US per capita figure, but 10 rural counties have incomes of less than half the national average.

Governor Alexander admits the task facing Tennessee. "Ten per cent of our jobs disappear every year," he told the state legislature in February. "That means that about 200,000 people have to find new jobs every year if we are to keep making gains.

"So the key to our progress is not government giveaways to industry, or slowing down the loss of jobs that are destined to disappear, or even good marketing and recruiting. The key is keeping an environment that attracts new jobs."

Governor Alexander's administration has focused on a few key areas at a time, and the approach has paid off.

Lamar Alexander
Tennessee State Governor

The governor's successful selling of Better Schools made him a national leader in education reform. A $3.3bn roads programme—funded by a tax on petrol enacted in an election year—is intended to give rural areas the links to interstate highways that they need to attract and keep jobs.

Can the Tennessee juggernaut survive his leaving office next year? Polls give Governor Alexander, still only 46, an unprecedented 75 per cent approval rating in his eighth year. The state's morale has rebounded following the removal of a previous Democratic administration plagued by patronage and bribery scandals. (Governor Alexander's predecessor, Mr Ray Blanton, eventually went to prison for selling liquor licences.)

Both contenders in what is likely to be a close election in November are publicly committed to economic development, but it is unclear whether either former Republican Governor Winfield Dunn or Mr Ned McWherter, veteran Democratic speaker of the state House of Representatives, will prove quite as persuasive a salesman.

Mr McWherter, especially, would be expected to take a more active role in directly promoting rural development. Governor Alexander opposes such regional "targeting" and a weak state planning office's biggest responsibility at present is the Homecoming '86 programme.

Whoever wins, Tennessee may well see a shift away from the position where, as Vanderbilt economist Dr. Timothy Bartik says, "he is the key to anything happening." If Governor Alexander has been less interested in a subject, it has tended to be neglected.

"His success reflects the fact that he focuses on just a few issues," says Dr Bartik. "His failures reflect the fact that he focuses on just a few issues."

But the Alexander years have at least given Tennesseans a road-map to a more prosperous future, and won international acclaim for the successes so far.

"It's not where you are that's important," says Dr Gnuschke at Memphis State. "It's the image you project about where you're going to be."

Tennessee, especially the Nashville area, may now express America's economic zeitgeist in the way that California has in recent decades, suggests Dr John Costonis, law school dean at Vanderbilt University in Nashville. It is the "focal point of the mixing chamber" of influences from north and south, east and west.

Entrepreneurial anticipation of new demands for services, modern manufacturing operations without the constraints of inflexible work rules, nostalgia expressed through country music, and a culture of "honest open-faced optimism," may combine to create a "unique and counter-cyclical" economy, he says.

Which indeed would qualify as tomorrow's jobs, yesterday's values.

BASIC STATISTICS

Population (1984)	4.72m
Per capita income (1984)	$10,418
Unemployment (July 1986)	8.5%
Largest cities (1982)	
Memphis	645,760
Nashville	455,252
Knoxville	175,298
Chattanooga	168,018
Capital	Nashville
Corporate excise (income) tax	6%
Franchise tax on capital property	0.25%
Personal income tax	None on wages and salaries
Sales tax (state and local)	6½ to 7¾%

Industry

Gathering by the rivers

WHEN THE Tennessee Valley Authority (TVA) tamed the river, its dams brought cheap power to attract heavy industry and to light up the rural South. The ending of spring floods which had wreaked havoc laid the foundation for the state's rapid manufacturing growth during and after the second world war.

The state'e rivers remain valuable resources. Memphis is the second largest inland port on the Mississippi, which defines the western border of the state. The Tennessee sweeps down through Knoxville and Chattanooga in east Tennessee, curves through northern Alabama and then slices through the state again on its northward course to ths Ohio.

The opening of the Tennessee-Tombigbee waterway brings the Gulf of Mexico up to 830 miles closer. The Cumberland, the state's third major river, swings in a smaller curve within the grest arc of the Tennessee.

TVA was the magnet for electricity-intensive industry like aluminium smelters and chemical plants. Cheap power brought uranium enrichment to Oak Ridge and ths US Air Force's Arnold Engineering Development Centre to Tullaboma.

Heavy industry still gathers by the river, but large users now pay higher rates than the US average. TVA's costs have risen because of greater dependence on coal, bought on long-term contracts well above the depressed spot market price.

TVA's own nuclear plants, which had been supplying 17 per cent of its power, have been out of service since August 1985 for safety checks, forcing the federal agency to buy electricity from neighbouring utilities.

Soaring power costs meant that Oak Ridge's uranium enrichment plant was the one to close in the face of falling demand from the nuclear industry. Three of the four aluminium plants along the Tennessee River will be shut by the end of the year. Only Alcoa, with its own pre-TVA hydro power to reduce average electricity cost, has bucked the trend.

Financing costs for the nuclear power programme and the fall in demand by large users puts further pressure on industrial rates, because TVA gives residential customers all the benefit of inexpensive hydro power, which was contributing only 13 per cent of supply before ths nuclear plants were shut down.

The troubles of the nuclear power industry have hit home at Combustion Engineering, formerly Chattanooga's largest employer. The maker of boilers and containment vessels has cut all but about 1.000 of its 6,000 jobs

Chattanooga, centre of the state's traditional metal-bashing industries and a strong chemicals and textiles base, added fewer jobs in 1979-85 than any other Tennessee city. But in the year to July, it has rebounded strongly, increasing non-agricultural employment by 4.3 per cent, well above the state average of 3.4 per cent and the national figure of 2.7 per cent.

Chattanooga has confidence in the future of manufacturing, even in import-sensitive industries like apparel. One small firm, Mountain Creations, has trained inner-city workers to use computerised spreading and cutting equipment. With flexible high-tech manufacturing, the company is counting on its quicker response time to maintain competitiveness, even though its labour costs will still be higher than foreign rivals.

Like other Tennessee cities, Chattanooga touts its central location for distribution. Some 8m people live within a 150-mile radius, putting the city well within a delivery circle for Atlanta, Birmingham and Huntsville as well as Nashville and Knoxville.

In north-east Tennessee, Knoxville is diversifying from its textile and clothing base, and the Tri-Cities (Kingsport, Johnson City, Bristol) are adding to their traditional strength in chemicals and printing. Electronics has contributed many of the new jobs in the region.

In services, the state's entrepreneurial spirit is most pronounced in Nashville and Memphis. Nashville's Massey Burch Investment Group is one of ths South's leading conduits of venture capital.

Out of Nashville have come Hospital Corporation of America, the world's largest hospital management chain with 1985 turnover of $4.15bn; Corrections Corporation of America, pioneer in private prisons; and now Education Corporation of America, which offers management services in one of the hottest new areas of US public concern.

Memphis also has two home-grown world leaders. Holiday Corporation in hotels, and Federal Express, the success in small-package delivery. Federal Express has already spawned two piggyback services at its Memphis hub: First Express, a cheque and credit card clearing operation owned by the First Tennessee bank holding company, and MedExpress, which specialises in prompt laboratory testing services.

Memphis does not limit its emphasis on distribution to air, land and water. It is emerging as a major telecommunications centre. The world's largest privately owned satellite communications network, a joint venture between subsidiaries of Holiday and Comsat, specialises in corporate video-conference services.

Federal Express uses facsimile transmission for its ZapMail. RCA Data Transmission Services provides a satellite network for computer data.

Leading manufacturers in Memphis include Plough (drugs and cosmetics), Kimberley-Clark (paper prodncts) and a host of food processors. Malone and Hyde is a leading stores and distribution group.

Nashvills's biggest manufacturers inclnde Avco (aircraft wings), Aladdin (vacuum flasks) and Genesco (clothes and shoes). Its biggest home-based retail chain is Service Merchandise.

Nashville is e leading national printing centre. It also presses more than half the single-play records in the world. Every stage of the music industry is represented in Nashville—from song-writing to recording to prodnction to the printing of record sleeves.

Its newest nickname, "The Third Coast," recognises that its influence on US popular culture has grown beyond country and western music.

Coal production is likely to fall to between 4m and 5m tons this year, the lowest output in recent times. Transport costs work against Tennessee for once.

"We are at the southern end of the northern market and ths northern and of the southern market," says Mr Fred Wyatt, executive vice-president of Coal Creek Mining and Manufacturing.

To break even, Tennessee operators need a price for their medium-sulfur steam coal of $28 f.o.b. a ton, against a spot market thet has only just recovered to $22 to $23.

US tourists poured $3.73bn into Tennessee last year. The Great Smoky Mountains along the border with North Carolina retain their position as the most visited US national park.

Other leading attractions include the Opryland theme park in Nashville, the Lookout Mountain park and battlefield site overlooking Chattanooga and the Moccasin Bend of the Tennessee River, and ths Jack Daniel's Distillery in Lynchburg.

Memphis has Elvis Presley's home, Graceland; Beale Street, cradle of the blue; and Mud Island, where one can wade in a scale model of the Mississippi and look around to see Ol' Man Rivsr himself rolling along.

Elvis Presley's statue in Memphis. The music industry is an important part of the state's economy

Economy

Work ethic runs deep

NEW AND expanding industry last year announced capital investment of $4.53bn in Tennessee, a record total for a Southern state. The investments will create 25,750 jobs when completed. Even excluding ths $3.5bn for General Motors' Saturn project, it was Tennessee'e fourth best year.

By early last month, capital investments this year in new and expanded projects exceeded $753m, 68 per cent ahead of the 1985 pace excluding Saturn.

Between 1979 and 1985, however, non-agricultural employment grew by only 4.7 per cent in Tennessee, against 8.8 per cent in the US. Apart from Nashville, with a soaring 17.2 per cent rise, and the Tri-Cities in the far north-east of the state (11.1 per cent), Tennessee's other cities and its rural areas lagged behind the national average.

In 1985, unemployment averaged 8 per cent in Tennessee against 7.2 per cent in the US. Of the state's 95 counties, 52 had average unemployment of 10 per cent or more.

On closer inspection, Tennessee's economy begins to resemble a patchwork quilt. Some squares are new, others frayed and threadbare.

Tennessee is far more rural than the US average and yet has more than its share of manufacturing. Within this seeming contradiction lies an important characteristic of the economy: ths traditional strength of low-wage rural manufacturing.

These import-sensitive industries have suffered the worst; in the 10 years to July, 7,500 textile jobs disappeared, more than a quarter of the 1976 total. Ths apparel industry lost 10,400 jobs, one in six, and employment in the leather industry fell from 22,900 to only 9,700.

Even ths cowboy-boot factories are closing.

Over the 10-year period, Tennessee added more than 340,000 non-agricultural jobs, a 21 per cent increase, to a total of 1.92m. Manufacturing employment fell fractionally, however, to just under 483,000. The chemicals industry cut employment by 30 per cent, a loss of 17,000 jobs, and primary metals — largely aluminium — saw jobs fall by 3,600, nearly 20 per cent.

But Tennessee also added manufacturing jobs. The growing importance of the motor industry was reflected in 10,500 additional transportation equipment jobs, a 50 per cent rise, and 6,000 more in rubber (up 34 per cent) where the main product is tyres. Printing and publishing and paper also showed considerable gains.

The big increase was a 31 per cent rise in non-manufacturing employment. Services, even excluding finance, wholesale and retail trade and government, added 150,000 jobs, a 62 per cent rise.

High unemployment is linked in most cases to poor transport links. Tennessee's central location for the eastern US market cannot benefit rural areas which lack easy access to the interstate highways that cross the state. Jobless rates are worst along the Tennessee River in the western part of the state, on the Cumberland plateau between the prosperous Nashville and Knoxville-Oak Ridge conurbations and in the rural Appalachians of East Tennessee.

Governor Lamar Alexander concedes that the decline of traditional industries has created "hugs economic turmoil" for those involved. But he says: "My focus is on the new jobs, not the old jobs."

His emphasis has been to create a fertile environment for job creation. His Better Schools programme, intended to improve basic skills and to create centres of excellence, is a trend-setter for the US. The roads programme will open up large areas of rural Tennessee.

The state emphasises its central location—half the US population lives within 600 miles of Nashville — and, perhaps above all, Tennessee's rigorous work ethic and legislation outlawing compulsory union membership.

Tennessee's economy resembles a patchwork quilt. Some squares are new, others frayed ...

The state's "right-to-work" law has been a key to attracting Japanese investment and appears to be a prime factor in most decision to start or relocate operations in Tennessee. In east Tennessee, where union membership is even lower than average, Mr Devid Swanner of the state's industrial development division explains workers' antipathy to unions: "They just do not want to join things. They do not like anybody speaking for them — they can speak for themselves."

General Motors has agreed to give unemployed United Auto Workers members priority at its Saturn plant. Knoxville, for its part, claims to welcome Saturn's choice of Middle, rather than East, Tennessee.

"It would have altered the economics of the area," says Mr Michael Magill, the local chamber of commerce's vice-president for economic development. Employers have already begun to contact Knoxville as a result, he says. "They don't want to be around 6.000 UAW workers."

Whether Saturn changes the labour climate in Tennessee remains to be seen. But ths work ethic runs deeper than simple anti-union feeling. Dr Timothy Bartik, an economics professor st Vanderbilt University, reported in a recent study that managers with experience in both north and south found that Tennessee employees — once trained — were harder-working, and more flexible and productive, than their northern counterparts, regardless of union membership.

In any case, Tennessee in 1980 had the second highest rate of union membership of any southern "right-to-work" state, although still well below the national figure.

But perception is as important as fact. Chattanooga, at one time considered a hot-bed of union activity, had the state's lowest growth rate in 1979-85.

"Bad reputations are easy to get but hard to shake," says Mr Michael Leiper of the local development agency, Partners for Economic Progress.

Federal research at Oak Ridge, now managed by Martin Marietta, increasingly finds commercial applications, and academics at the university are now actively encouraged to start their own businesses. One company now prodnces 40,000 houseplants and garden shrubs a week "manufactured" through propagation of tissue cultures. Other companies make image-enhancement equipment for medical and other uses.

The Technology Corridor has attracted national research facilities including the American Welding Institute and the Electric Power Research Institute's R&D centre. Knoxville also has a growing pool of software developers and consultants.

Telecommunications groups help to fund a research and training centre at Christian Brothers College in Memphis, while Chattanooga State Technical College is a leader in computer-aided design and industrial automation. Memphis is promoting a biomedical research zone in a city where health care alresdy provides an estimated 10 per cent of all jobs.

Tennessee increasingly is attracting divisional and regional bases of lesding US and foreign companies, but it has not fared so well in the quest for corporate headquarters. Saturn's manufacturing plant will be in Tenenssee, but its administration will remain in Michigan. Some, including Dr Bartik at Vanderbilt, suggest that the "branch plant" manufacturing economy is being reproduced in the services sector.

He notes: "Every metropolitan area in Tennessee is at least 10 per cent below the national average in proportion of employment in corporate headquarters and related activities."

Nashville, especially, will have to develop what Dr John Costonis, dean of Vanderbilt's law school, calls "first-tier" support services to attract and keep corporate beadquarters if it has ambitions to grow beyond simply a regional centre.

Motor Industry

Nation watches as Saturn rises

THE FUTURE of ths US motor indnstry is riding on General Motors' Saturn project, according to Tennessee Governor Lamar Alexander.

"Saturn will decide whether Americans can make a small car in America, whether American car manufacturers can make cars and trucks at all that will sucessfully compete with cars made in other countries," he said at the dedication of Saturn's Spring Hill site 30 miles south of Nashville.

"There is a new management and a new agreement and a new product, a new labour relations project, new computer systems, a new ettitude and new optimism. And Tennessee is the new environment."

The $3.5bn project is expected to begin producing cars in 1989 and will find tough competition around Nashville. Japan's Nissan has been making light trucks since 1983 and cars since March 1985 at Smyrna, 15 miles from Nashville. Nissan has invested more than $848m in the plant, its largest project outside Jepan and the largest US motor vehicle facility of any foreign group.

Toyota's choice of a Kentucky site prevented Tennessee from making it three in a row, but the state was not disappointed. "We don't want Nashville to become a little Detroit," Governor Alexander says.

The state rebuts fears that its recruiting success will increase the vulnerability of the diversified and recession-resistent middle Tennessee economy. Even with Saturn's 6,000 jobs and those of its suppliers, the motor industry will account for less than 5 per cent of the region's employment.

Nashville is already home to Peterbilt, manufacturer of heavy truck tractors, and a Ford glass plant. Bridgestone, the Japanese tyre maker, rescued a failing Firestone plant near Nashville. The refitted facility now makes radial truck tyres (but none go to Nissan's plant a few miles away). Goodyear operates ths world's largest radial car-tyre plant st Union City, in the north-west corner of the state.

Tennessee knows well the huge boost Nissan and Saturn have given to its economy.

"The impact of Nissan is felt all the way from ths Smoky Mountains to the Mississippi River," says Mr William Boozer of the state's department of economic and community development. Nissan has 33 suppliers in Tennessee.

Saturn will create an estimated 12,000 to 14,000 indirect jobs at 150 first-tier and 250 second-tier suppliers. Most are likely to be within 250 miles of the Spring Hill plant.

Saturn will be seeking longer than normal contracts with its suppliers. "We are getitng close to being able to make commitments," says Ms Laurie Kay of Saturn. The plant'e foundation is due to be laid next spring.

The 78-ecre Nissan plant has set the standard—or thrown down the gauntlet—for automated motor vehicle production in the US. From stamping on state-of-the-art transfer presses to final assembly, the manufacturing operation is monitored and controlled by computer.

Nissan uses 351 robots in tasks ranging from welding to painting. The plant, which employs 3,200 people, will have annual capacity of 240,000 vehicles by the end of the year. The strong yen is fuelling Nissan's efforts to increase US content of its Smyrna models from the present 50 per cent for trucks and 52 per cent for cars.

The Smyrna plant is non-union. Although ths United Anto Workers has made organising Nissan an article of faith, the company claims never to have heard of any union activity among its workers.

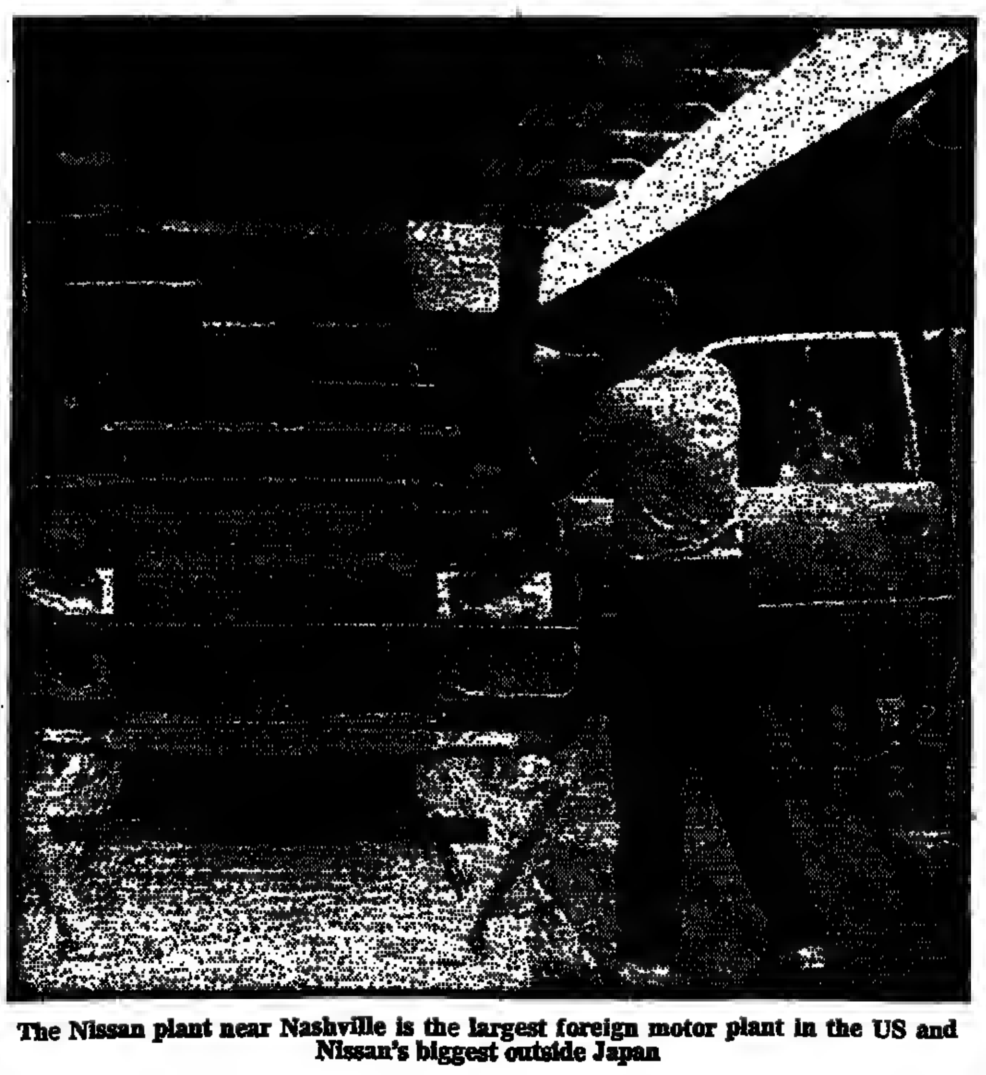
Nissan says its wages are "comparable" to UAW-organised US plants. All hourly employees fall into four classifications — with uniform pay within each apart from a "versatility" rise after three years. Production teams have considerable leeway to organise their working methods and to allocate tasks; each team is responsible for its own quality control.

At Saturn, the UAW is involved in decision-making at all levels. Eight out of 15 full-time Saturn employees in Tennessee are from the union. The UAW won the wider role by conceding lower basic pay and agreeing to performance-related bonuses.

The pact also commits Saturn to giving unemployed GM workers ths first opportunity to apply for jobs. Applicants' experience and attitude will be assessed, Ms Kay says. "We want them to know what Saturn expects of them."

Tennessee's "right to work" laws prohibit closed shops, so employees would not have to join ths UAW—or any union—even if it wins Saturn's recognition as the collective bargaining unit.

Mr Jerry Benefield, Nissan's vice president for manufacturing and a former senior GM manager himself, expects no significant effect et his plant from ths proximity of a facility where the union has such a key role. By the tims Saturn begins production, many of Nissan'e employees will have six years or more experience at Smyrna and are likely to find, that their pay and conditions are competitive with whatever is offered at Spring Hill he says.



The Nissan plant near Nashville is the largest foreign motor plant in the US and Nissan's biggest outside Japan

Finance

Prey to merger moves

TENNESSEE banks are likely to be prey rather than predators as the trend continnes to huge regional holding companies in ths south-east US. The possibility remains that one or more of the state's leading institutions will retain its independence, perhaps through a "merger of equals" either within Tennessee or in neighbouring states. But intra-state rivalry and sheer financial firepower cast a shadow over even thet prospect.

"Tennessee'e banks are likely to be part of, but not the focal point of, large companies," says Mr Buck Jones of J. C. Bradford, the Nashville securities firm.

The biggest breakthrough into the Tennessee market came earlier this month when Third National Corporation, the state's second largest bank holding company, agreed to a $775m takeover by Atlanta-based SunTrust Banks. Third National will add $5bn in assets to SunTrust's nearly $19bn to create the second largest regional group behind North Carolina-based NCNB.

Although Third National will retain its identity and management of Tennessee operations, there is no question but that ultimate control will leave the state.

"Atlanta is the home of SunTrust — major decisions will be made in Atlanta," says Mr Dale Polley, executive vice president and chief financial officer at Commerce Union, one of Third National's Nashville-based rivals.

Even Governor Lamar Alexander admitted that he had qualms: "This merger will either suck a lot of money ont of Tennessee or it will put a lot of money in."

Mr Jones, however, did not see tha merger in negative terms: "The fact that Third National is owned by somebody else may, if anything, increase the propensity of that somebody else to tell Third National to take care of their depositors."

The merger dealt the final blow to any prospects of a link between the two largest holding companies in the state,

LEADING BANK HOLDING COMPANIES

	Assets at June 30 ($bn)
First Tennessee†	5.2
Third National*‡	5.0
First American‡	5.0
Commerce Union‡	3.2
Union Planters†	2.1
National Commerce†	1.2

* Agreed takeover by SunTrust Banks.
† Memphis.
‡ Nashville.

Source: J. C. Bradford.

Memphis-based First Tennessee has been open about its goal. Ms Susan Schmidt Bies, executive vice president and chief financial officer, says: "If we could choose any deal, we'd love to do one with one of the major Nashville banks so we could keep a major bank based in Tennessee, but it just hasn't happened—yet."

First Tennessee said that the Third National-SunTrust deal had not changed its policy.

Talks between First Tennessee and Third National came to nought. The Memphis group's tightly centralised organisation could not be reconciled with the more devolved management approach that Third National shares with Commerce Union and First American, another leading Nashville group. The site of the corporate headquarters was another issue that would not have been easily resolved.

Tennessee banks, in any case, are starting from a handicapped position in the question for regional supremacy. Hobbled for many years by restrictive branch-banking laws and ceilings on interest charges, they still are limited in where they can open branches or acquire other banks. Tennessee banks were unable to capitalise on the state's growth to the same extent that giants like NCNB, First Wachovia and First Union were in North Carolina and thus were less prepared for the new world of interstate banking.

Tennessee's banking groups are minnowe in ths national pond, with the largest ranking only 81st in the US.

The state's banks also suffered a blow to morale from ths collapse in 1983 of banks associated with Mr Jake Butcher, a former Democratic candidate for governor now serving a 20-year sentence for bank fraud and income tax frand. Since June 1979, 35 banks with total assets of $2.51bn have been closed in the state, with all but three being bought by other Tennessee banks

Tennessee allows interstate takeovers on a reciprocal basis with 13 neighbouring states. Until the Third Netional deal, ths biggest interstate merger was the agreed takeover of Nashville CityBank, with $600m in assets, by Virginia-based Dominion Bankshares. Commerce Union and First American have each bought a Kentucky-based holding company. St. Louis-based Boamen's Bancshares has acquired a foothold in the Memphis market by buying the Missouri parent of C & I Bank.

One barrier to Tennessee banks' going on the acquisition trail themselves is the fact that legislation allowing takovers has not yet become effective in Alabama and Mississippi, two states in which Tennessee groups could hope to emerge as dominant partners even in a "merger of equals."

Mr Charles Cook Jr, Third National's president and chief executive officer, confirmed: "Alabama was one of the states that we continued to have an interest in."

But some Nashville bankers suggest that the future may lie in links—even as a junior partner—with prosperous Atlantic coast states like Virginia, North Carolina, Georgia and Florida rather than with what may well be an emerging second division of states like Alabama, Mississippi and Arkansas, which will have increasingly less in common with booming middle Tennessee.

For the moment, however, Mr Neil Cunningham, executive vice president at First American, speaks for more than his own group when be says: "We want to be an independent survivor."

Foreign Investment

Close ties with Japan pay off

IN SEVEN YEARS to 1985 Japan has invested more than $1bn in Tennessee. The jewel was Nissan's $750m truck and car plant at Smyrna, near Nashville, the largest Japanese project ever in the US.

Gov Lamar Alexander, who took office in 1979, has led the eastern courtship with nine visits to Japan. "I've spent more time in Tokyo than I have in Washington since I became governor," Mr Alexander says. "There are more jobs for us in Tokyo than there are in Washington."

Japanese investment has grown fast. The 86 Japanese groups that have invested a total of $1.2bn in Tennessee employ more than 7,500 people.

Sharp and Toshiba make television sets and microwave ovens at Memphis and Lebanon respectively; Matsushita makes electronic components in Knoxville; Calsonic and CKR make car components at Shelbyville and Winchester; and Komatsu will begin production of construction equipment at Chattanooga in 1988.

Bridgestone took over, retooled and made a success of a failing Firestone tyre plant at LaVergne, near Nashville.

Tennessee's recruiting success has been achieved without any permanent overseas offices, unlike many other US states. Its department of economic and community development prefers instead to send frequent missions to other countries, enabling the same personal contacts to be maintained after prospects visit Tennessee.

Although concentrating on Japan has paid off so far, the state is broadening its horizons around the Pacific Rim in try to establish similar contacts in South Korea and Taiwan. One factor in Tennessee's success was its anticipation of Japanese companies' eagerness to invest in the US because of trade pressures and the rising yen.

"Japan is the hot spot internationally and Tennessee is the hot state," says Mr Louis Lockhart, the state's international marketing director.

Tennessee's Japanese connection is all the more remarkable considering the lack of cultural or geographic logic. Mr Alexander is the first to admit that Tennessee is not an internationalist state.

Nevertheless, Mr Alexander has discovered an affinity for the Japanese, which he has celebrated in Friends, a lavish book of photographs which highlights the similarities of the two cultures in an affectionate way that banishes the suspicion that

NEW FOREIGN PLANTS AND EXPANSIONS 1978-85

	$m
Japan	966.8
Europe	426.3
Canada	21.0
Other Asia	10.0
Total	1,424.1

Source: Tennessee Department of Economic and Community Development

it is simply a work of sublime salesmanship.

Tennesseans' awakening interest in Japanese culture—perhaps a mixture of honest curiosity and economic self-interest—has also been noted by Dr Lucien Ellington, associate director of the University of Tennessee at Chattanooga's Japan Project. He has been surprised at the strength of demand for Japanese language instruction and for courses in local schools.

In all the Japanese fever, Tennessee has not ignored other sources of investment. It actively recruits in Western Europe but finds itself handicapped by the lack of an ocean port.

Japan is only now matching the cumulative investment of UK companies in the state. Blount County, south of Knoxville, concentrates its entire effort on attracting British companies, citing a connection dating to the first white settlement in what is now Tennessee.

Six UK-owned companies now employ a total of 125 people in the country, manufacturing car-tyre moulds, bulk-handling conveyors, aircraft antennae, stone-crushing equipment, valves and dress forms.

After Nissan, the state's largest foreign employers are North American Philips' consumer electronics division which makes television sets, audio equipment and home computers at two east Tennessee plants; BASF Fibres' synthetic yarns plant, also in east Tennessee; Canada's Northern Telecom, which moved its US headquarters to Nashville 10 years ago; and Alusuisse's Maremont subsidiary, which makes car components at three sites.

Another 34 Western European, nine Canadian and five Japanese groups have workforces of 100 or more in the state.

Tennessee's economic development agency believes that industrial recruitment has now gained enough momentum and international attention to keep the investment flowing in.

Mr Michael Dubois, assistant commissioner, says: "If you get enough lookers, you're going to get some takers, and we're going to get more lookers than we have ever had."

Cotton is receiving new federal subsidies

Tobacco output is the third highest of US states

Agriculture

Subsidies provide welcome relief

FARMERS are branching out from their traditional reliance on field crops and livestock in Tennessee to gain a broader base and new sources of income from higher-value products. The state has weathered the high dollar and falling commodity prices better than some areas in the US farm belt, and cotton growers are beginning to get some welcome relief from Washington's new subsidy programme.

Memphis epitomises the state's key position in agricultural processing and distribution. It is the world's largest trading centre for cotton and hardwood and leads the US in soyabean processing. Memphis is also a major food processor, especially of livestock products.

Agriculture plays an important role in the Tennessee economy, supplying more than 6 per cent of jobs in the state, against a US total of less than 4 per cent. Throughout the state, many manufacturing and office workers farm small-holdings in their spare time—a few head of livestock or a plot of tobacco.

Livestock accounts for about half of the farm sector's cash receipts of more than $2bn. Breeding stock for beef cattle is one of the state's fastest growing exports. Cattle and calves, the single biggest sector, is concentrated in Middle and East Tennessee.

The state ranks 10th in the US in beef cattle and 14th in dairy cattle. Hogs are stronger in West Tennessee, often as an additional crop for soyabean farmers.

With 221,000 horses, the state's equine population is the 10th largest in the US. Its most distinctive breed is the Tennessee walking horse whose running walk was developed to cover long distances over rough ground with speed and comfort. Trainers accentuate the horse's natural pace to produce a unique high-stepping gait.

Farmers cut their plantings this year for most crops except soyabeans and wheat. The US Farmers Home Administration received only 1,400 applications for credit this year against 2,000 in 1985. The federal agency's total advances in Tennessee fell from $55m to $47m.

Sorghum acreage fell by two-thirds from the 1985 level, cotton and tobacco by 12 per cent, hay by 15 per cent and maize by 4 per cent. Total production will plummet because of sharply lower yields as a result of drought in the south-east US.

The state forecasts that sorghum output will fall by 76 per cent from 1985, with declines of 50 per cent for hay and from 27 to 38 per cent for soyabeans, maize, cotton, tobacco and wheat.

Tennessee ranks third in the production of tobacco. Burley, which accounted for 80 per cent of the state's output in 1984, is used in cigarettes and pipe tobacco. It is grown widely everywhere except West Tennessee but the dark-fired and dark air-cured varieties (for chewing tobacco, snuff and cigar wrappers) is limited to about 10 per cent of the state in a thin strip along the north-west border with Kentucky.

Production of soyabeans, wheat and sorghum steadily diminishes moving from west to east across the state, but maize is more evenly distributed. A long growing season and the fertile soil of West Tennessee enable many farmers to double-crop their land, following spring wheat with soyabeans, maize or sorghum. This year, 18 per cent of the state's planted soyabean acreage was double-cropped with wheat.

Cotton's stronghold has shrunk to a few counties in the south-west corner from its former domination of the western third of the state. The US government's new farm programme, which took effect in August, is aimed at recapturing the country's share of world markets. Washington has pledged to match world prices, which had fallen well below the US level in the last 18 months, by subsidising sales to domestic and foreign buyers alike.

US export orders in the 1986-1987 crop year beginning August 1 have already exceeded 3.3m bales, against 2m bales in 1985-86 as a whole, and full-year estimates range as high as 9m bales.

On the ground in Tennessee, farmers are benefiting from higher equity payments from merchants who have discovered that US cotton is competitive again. The first surge in export orders has helped western cotton because of its better quality and lower freight charges to Far East buyers, but Tennessee will cash in on its proximity to US mills.

Farmers, however, are moving to smooth out the ride of the commodity roller-coaster. Fruit and vegetables are among the fastest growing products in the state as growers devote increasing slices of their acreage to these higher-value crops.

Tennessee now ranks third in the US in production of tomatoes, although well behind leaders California and Florida. The crop brought in $23.9m last year, nearly three times the receipts in 1983. The surge in tomatoes represents a revival of a traditional local crop, which had declined as better distribution created national markets for the most efficient producers.

Tennessee's 10-month growing season gives it an opportunity to fill the gap in eastern US markets when Florida is too hot to grow tomatoes. Production is spread throughout the state, as farmers diversify from cotton and soyabeans in the west and from tobacco in middle and east Tennessee.

FARM PRODUCTS

	1985 cash receipts ($m)
Livestock and products	1,000.0
Soyabeans	243.9
Tobacco	221.6
Maize	128.0
Cotton and cottonseed	111.2
Fruit and vegetables...	72.4
All other	280.3
TOTAL	2,057.4

Source: Tennessee Department of Agriculture.

Other crops include green beans, bell peppers, cabbages, lettuce, spinach and apples. The state's entire peach crop, worth more than $2m in 1984, was wiped out by frost last year.

About 25 per cent of total farm production is exported, and Tennessee plans a more aggressive approach to promote overseas sales, especially of livestock. Within Tennessee, the state is working with co-operatives to develop national markets—and brand identity—for their products. It has devised a "Tennessee Country Fresh" label to raise its marketing profile.

One medium-term goal is to create three regional food distribution centres — farmers' markets that will attract big wholesale buyers as well as retail trade. The markets will also include garden centres and perhaps craft stalls in an effort to stimulate rural jobs.

Two of the markets will be within a 10-mile radius of Nashville and Knoxville, the largest cities in their regions. The third will be at Agricenter International on the outskirts of Memphis, where 4,500 acres of a county prison farm have been transformed into a permanent exhibition centre for agricultural technology.

The complex include 1,000 acres of fertile farmland for the testing of seeds, fertilisers and production methods. In one field alone, 125 varieties of soyabeans are being grown. Agricenter also will establish a databank for the international exchange of the latest agricultural technology.

The Tennessee Valley Authority has been instrumental in increasing the forest resources of the state and its neighbours. About two-thirds of the state lies in the Tennessee Valley, and TVA estimated in 1981 that 56 per cent of this area was occupied by forest.

In 1980, the state's commercial forests contained 10.4bn cubic feet of hardwood and 2.4bn cubic feet of softwood. Tennessee vies with Pennsylvania for national leadership in hardwood production, with output of 701m board feet in 1984.

The main commercial hardwood species are red and white oaks, yellow poplar, hickory and walnut. Tennessee's 22 per cent share of the US hardwood-flooring market makes it the largest supplier. Other leading finished hardwood products include furniture and cabinets. Eight pencil factories employ a total of 1,880 people.

Tennessee is also a major producer of pulpwood, with output in 1983 of more than 1m standard cords.

Chattanooga's Continental Caviar, meanwhile, won 10 per cent of the total US market last year with 10,000 lb of sturgeon and paddlefish roe collected by fishermen in southern rivers.

Regions

Frictions survive for more than century

WHEN Governor Lamar Alexander outlined his $3.3bn roads programme to state legislators in February, he took care to emphasise that it favoured neither one section of the state over another, nor the cities over rural Tennessee.

His assurance represented more than mere lip service, for Tennessee's three "grand divisions" remain central to the state's political, economic and cultural life. The recent industrial recruiting success of Nashville and surrounding Middle Tennessee has exacerbated the regional frictions which have survived for a century and a half.

The distinctions between the three divisions—which are recognised in the state constitution for the purpose of balancing certain government appointments but have no administrative role—are rooted in geography and history.

Mountainous east Tennessee was the first region to be settled by pioneers coming over the Appalachians. Slavery was exceptional, to some extent because the terrain made large holdings and plantation crops uneconomic, and pro-Union east Tennessee followed the rest of the state into the Confederacy with the greatest reluctance.

It has remained the South's most faithful redoubt of the Republican Party—with roots stretching down to the 1860s. One local party organisation raises money with a dinner honouring Ulysses S. Grant, a conqueror, but still hardly a hero, in the rest of the South.

East Tennessee also contains the traditional industrial heartland of the state, in a belt paralleling the jagged North Carolina border from the Tri-Cities of Kingsport, Bristol and Johnson City through Knoxville to Chattanooga. But the soil holds tight to its sons and daughters, as many workers farm small-holdings in their spare time.

Chattanooga abuts the Georgia border and looks south to Atlanta as much as to more distant Nashville. The agreed takeover of Nashville-based Third National Corporation, the state's second largest bank holding company, by Atlanta's SunTrust Banks raised few qualms in Chattanooga. Ultimate decision-making in Atlanta was, if anything, preferable to the Nashville control implied by the earlier merger of Chattanooga's own American National Bank and Trust into Third National.

At another corner of the state, Memphis sometimes finds itself described as the capital of north Mississippi. Despite great strides towards becoming a leading national distribution centre, its immediate hinterland is thousands of square miles of rural Arkansas, Mississippi and West Tennessee, an economic domain hard-hit by the troubles of US agriculture.

Although considerably larger than Nashville, Memphis has not fully shared in Tennessee's economic bonanza, and especially the accompanying attention.

"Memphis either has no image, or it has an image of an old South kind of community — slow-moving, living in the past, or as a rough and rowdy river town," says Mr David Cooley, chamber of commerce president.

West Tennessee's rich flatlands stretch from the Tennessee River's second, northward traverse of the state to the Mississippi. Antebellum cotton plantations made this the stronghold of slavery. Exodus from the land has given Memphis a black population three times the state figure of 16 per cent.

Urban poverty, skills shortages and racial friction—albeit much less than in the immediate aftermath of the assassination of Martin Luther King during a dustman's strike in 1968 — leads Memphis to feel disadvantaged in the competition for outside investment.

One Memphis leader complained to Vanderbilt University economist Dr Timothy Bartik: "The state's site reports to prospects always list per cent black for old black Memphis, but you never see per cent hillbilly listed for clean white Knoxville."

Governor Alexander, a native of east Tennessee, suggests that Memphis's major problem has been "a lack of self-concept and of self-confidence.

"Memphis is like an adolescent city just finding itself," he said, "As soon as it finds itself, it has plenty of strength that will give it a bright future. The adolescence is just a bit prolonged."

Rural west Tennessee is dominated by conservative Democrats like Mr Ned McWherter, veteran Speaker of the state House of Representatives and the Democratic candidate to succeed Mr Alexander as governor.

Between the flat west and the mountainous east lie the rolling hills of middle Tennessee with Nashville, the state capital, at its hub. Although originally pro-slavery and, indeed, the birthplace of the Ku Klux Klan, middle Tennessee has tended in modern times towards the moderate wing of the Democrats, balancing the Republicans in the east and the urban black/rural conservative/suburban Republican polarisation in the west.

Nashville's diversified strengths in government, finance, medicine, education, publishing and music have insulated it better than any other city from recession. The state's biggest cash crops, beef and dairy cattle and tobacco, are strongest in middle Tennessee.

Nissan, Saturn and an American Airlines hub: small wonder that east Tennessee has not forgiven Nashville for appropriating mountain music and musicians and transforming itself into the cultural and economic capital of a hybrid country and western.

Nashville was once content to be "Athens of the South," with a full-size replica of the Parthenon for whose marble (plaster casts) no one—not even Memphis — has ever expressed envy. Now it clearly has greater ambitions.

Travellers were welcomed to "The Great States of Tennessee" until 15 years ago, when a newly elected governor ordered highway signs changed in a gesture of state unity. But Winfield Dunn, Tennessee's first Republican chief executive for half a century, could not so easily banish the centrifugal spirit.

His unsuccessful effort in that 1971-75 term to oppose a new state medical school in east Tennessee still rankles in the strongly Republican region and casts a shadow over his campaign to return as governor. It does not help that his original political base was in Memphis and that he has worked for Nashville-based Hospital Corporation of America since he left office.

Memories are long, and Tennessee's grand divisions continue to divide. In 1842, a west Tennessee legislator complained that taxpayers around the state were subsidising turnpikes in middle Tennessee—"every road leads to Nashville." He successfully won aid for improvements to assist other areas.

Nearly 125 years later, Governor Alexander's roads programme, intended largely to link rural areas to interstate highways and to underpin industrial growth around Nashville, had to go through a lot of legislative horsetrading before it emerged in a form that was palatable to the three grand divisions.

The Grand Ole Opry became the longest-running American radio programme and a Nashville landmark

Insurance

Airing for Opry

COUNTRY MUSIC came out of the mountains and fields of the South but it got a big-city boost from insurance for nearly 60 years. Nashville-based National Life and Accident created the South's most famous radio station, WSM (short for We Shield Millions), in 1925.

The station's powerful transmitters broadcast the Grand Ole Opry, America's longest running radio programme, to a wide regional audience every Saturday night. Under National Life and Accident, the Nashville Sound expanded to include the Opryland theme park and cable television's Nashville Network.

But Houston-based American General bought NLT, Life and Accident's parent, in 1982 and got out of the media and entertainment business a year later by selling WSM and the Opryland group to Gaylord Broadcasting of Dallas. American General had previously taken over Nashville's Life and Casualty. American General Life and Accident is the 31st largest US insurance company with assets of $8.39bn.

The state's leading home-based insurer, Provident Life and Accident, ranks 47th with assets of $2.34bn. It is Chattanooga's largest employer. Smaller Tennessee insurers include Appalachian National, bought by Mutuelles Unies of France in 1979, and Volunteer State Life, owned by Monumental Chubb.

Citicorp is to establish a new subsidiary in Nashville to provide administrative support services to insurance companies.

TECHNOLOGY

A £200m drop in the ocean

Lucy Kellaway looks at the major problems caused by Ekofisk's sinking sea bed

IF YOU lived in a building that was sinking into the ground at the rate of half a metre a year, it probably would not take you very many months to work oot that something was amiss.

However, the bundreds of workers on the platforms in the Ekofisk field in the Norwegian sector of the North Sea failed to notice for nearly five years thet the platforms that they were working on were gradually descending towards the waves.

The problem, which was first ldentified nearly two years ago, is not thet the platforms are sinking into the sea bed, but that the sea bed itself is being pulled down into the earth.

Tbis has posed a major challenge for Phillips Petroleum, the operator of the field, and is set to cost the company dearly in lost production and money.

Ekofisk is not only one of the largest producing oil fields in Norway, due to go on yielding oil for et least 30 years to come, but it handles nearly all the gas from the other major Norwegian fields en route to European markets.

The subsidence cannot be simply ignored. North Sea platforms are designed to withstand the kind of freak wave that comes every 100 years or so, which in the case of Ekofisk is ebout 78 feet high. The platforms are built e few feet taller than the "design" wave, and if this gap is eliminated, they cao no longer be considered safe.

The sinking of the Ekofisk sea bed has occurred as the reservolr has become depleted. This has caused the chalk layers in which the oil is contsined to compress, dragging down the sea bed wlth lt. While compression is no oew phenomenon, until the Ekofisk subsidence was discovered geologists did not think it could occur at such depths—the reservoir is 3 km below the surface of the earth.

The industry's imagination has been stretcbed by having to cope wlth the Ekofisk subsidence. Measuring the extent of the sinkage, attempting to make the platforms safe, and trying to tackle the cause of the problem itself, have eli lnvolved adapting known technology to new ends.

The subsidence was discovered almost by accident, when somebody noticed that more of the vertical holes punched in the hase of one of the structures were visible ln earlier photographs than in later ones. This alarming finding prodnced a serious measurement problem: how to gauge ebanges in water depth wben the see is constantly moving.

Phillips first tried weve radar systems, originally designed as an early flood warning device. This confirmed that subsidence had occurred, but did not give particularly eccurate readings.

It then tried underwater pressure sensors, and later used satellites, which proved by far the most accurate method. Antennae were placed on several platforms in different parts of the field, which each picked up repeated signals from the satellite. The readings were then assessed, and compared to signals recelved at monthly intervals under exactly the same cooditions.

The results show that not all the platforms are equally affected, but that the overall rate of subsidence is steady, notching up 40 to 45 cm a year in the worst ereas. However, Phillips' geologists expect the movement to slow as the reservoir becomes depleted, and are now working on the assumption that the sinking will stop et 5.5 metres to 7 metres, of which balf has alreedy occured.

At the beginning of last year lt became apparent that urgent ection was needed, first to make sure thet the platforms were safe, and then to ettempt to tackle the subsidence itself.

The first thing to be done was to move equipment, shops and offices on the lower decks of the worst affected platform to other areas. A huge welding programme was then started to protect this platform against the force of the waves.

This involved streamlining the steel girders supporting the deck hy adding a balf section of piping to make the edges round rather than flat. Carrying out some £20m of welding work in the sea was not easy. However, by doing so the horizontal force of the waves on the platform has heen nearly cut in half.

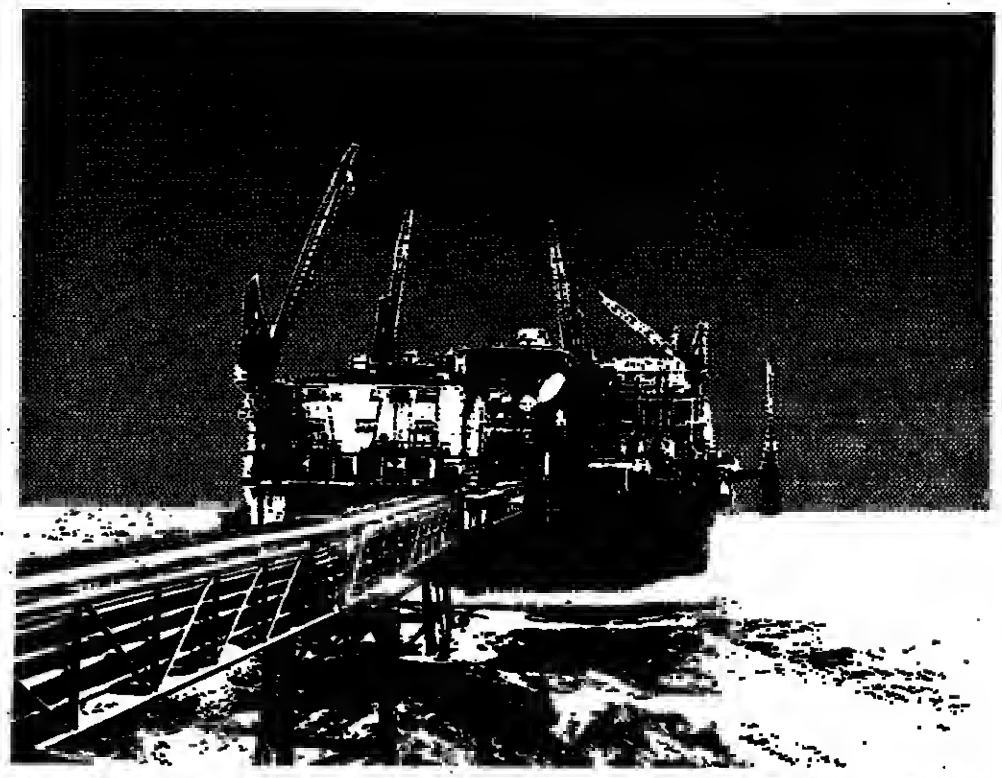
Phillips had hoped that such measures would be enough to protect against the subsidence that had already occurred, whereas future problems could be averted by tackling the subsidence itself. Since last summer it has been injecting large volumes of gas into the reservoir, hoping to maintain the pressure and thus halt the sinking.

Before the problem emerged, gas was already being injected (as is normal practice) to boost recovery of oil from the field. However, this has been greatly increased so that 350m cubic feet of gas a day are now heing injected into the reservoir.

Injecting gas is an expensive option. Although most of it can subsequently be recovered, the costs of delaying such eales for up to 15 years can he quite high.

In any case, the results of the project have been disappointing. The latest satellite tests have shown no indication that the subsidence is slowing, and Phillips has decided to abandon the scheme by the end of the year.

Another option is to inject nitrogen into the field. But the lightness of the nitrogen would cause a sharp increase in the amount of gas recovered, a prospect which at current low prices Phillips does not seem to welcome.



It was only when somebody noticed that mere of the vertical holes in the base of Ekofisk's storage tank were visible in earlier photographs than later ones that the field's subsidence was discovered

Heving failed to stop the sinking itself, Phillips is now having to go ahead with e mighty project, which et first it hoped could be avoided: If the sea bed is going to end up some six metres lower than the platforms were designed for, then the legs of the platforms are going to have to be made some 6 metres longer.

In theory the task is simple. In fact it is monumental. The project will cost some £200m and involve about 250 people, many of whom will start work early next month in preparation for a lift which will not happen until next July. While the platform is actually being lifted, production of both Ekofisk, and all the fields using lts pipeline will have to be closed down, implying an enormous loss of revenue.

Most of the work will be done in advance, but even so almost the entire Norwegian North Sea will close for e month while the work is being done.

In order to make the shut down as hrief as possible, all six of the Ekofisk platforms will be jacked up et the same time. Phillips is praying for good weather to allow the work to be done swiftly.

The company has commissioned Hydraudyne, a specialist Dutch company, to supply it with 124 hydraulic jacks, each weighing np to 21 tonnes, and designed to lift weights of up to 700 tonnes, and strong enough to withstand a summer storm.

In December work will begin on installing the jacks on the vertical legs under the platform. Once the jacks are in place, the legs can be cut and devices fitted to support the leg extensions, so thet once the platforms have been lifted, the leg extensions can be slotted quickly into place.

The only structure on the field that cannot be raised is the oil storage tank, which is not on legs that can be cut and lengthened. Instead ballast will be added to the tank and lts deck strengthened in a project planned for 1988.

Phillips bopes that by then lts nightmare will he over. However, lt cannot dismiss the possibility that the subsidence will not grind to a halt et six metres. Then what would it do? Start ordering the jacks all over again, and prepare for another lift.

IBM sees CIM as the way forward for itself and others

BY GEOFFREY CHARLISH

IBM clearly intends to be a major player in the implementation of computer integrated manufacturing (CIM) in Europe's factories.

In the last 18 months it has risen to the top of the computer-aided design and manufacturing (CAD/CAM) world sales league—and CAD/CAM is a major starting point for CIM implementation. The company is about to open a full scale computer-integrated manufacturing centre at Warwick in the UK, and has just published a comprehensive 80 page management guide to CIM. In addition it is funding a CIM Institute et Cranfield College and is making a major contribution to the UK Government-backed advanced manufacturing event (CIMAP) in Birmingham in December.

Speaking at the corporation's annual manufacturing conference in Bournemouth last week, Mr Tony Cleaver, chief executive of IBM UK, described CIM as the provider of "a clean sheet of paper" for industry. He sees it as a weapon with which the West can counter the low wages, low costs and favourable trading arrangements enjoyed by the new industrial economies of the East.

"For many manufacturers in the West the challenge is to begin before it is too late," he stated.

Such exhortations ("automate or liquidate" was another) are not unknown in computerised manaufacturing circles. They are often part of the sales pitch to sell yet more computers.

The fact is, however, that IBM is taking its own medicine and has CIM working in a number of its own plants. And the technology was not implemented just because IBM is the world's biggest computer company and ought to find lt easy to institute CIM. The decisions were taken because, like any other company, IBM needed to stay profitable in highly competitive markets.

A good example is the company's typewriter plant in Lexington, Kentucky. Suddenly in 1980 IBM found it had 20 or so competitors in the electronic typewriter market, whereas thare were none in 1978. (There are 43 now). Costs therefore bad to be cut and quality had to be improved.

"Communications ruled" says Dr David Ellman, automation consultant at Lexington. Today, a hierarchy of three mainframe and 200 minicomputers all "talk" to each other and control the $300m operation at site, plant, area, local and machine control levels. Some 7.5 miles of conveyors connect up the work areas and 2,000 people make over 1m machines a year, whereas 7,300 were making 0.5m to 0.7m in 1980.

Dr Ellmann revealed, however, that computerisation is only part of the story. Since IBM had a "clean sheet of paper" and a new building, it could implement other disciplines and ideas. To start, the product was designed for automation using CAD/CAM and the parts count in the machines reduced from 3,000 to 1,000. The number of edjustments needed came down from 121 to six.

Line operators almost dis-eppeared. Some were retrained as programmers or maintenance men. Some became secretaries. But the time to make a typewriter eame down from six to 1.25 hours and quality has become such that a repair is needed only once every three or four years in the field. The line people that remained became more versatile, trained to do many different tasks.

On the engineering side, Ellmann had found that 30 per cent of the parts were being changed each year, with flocks of engineers tracking the changes. There is now "much stronger" engineering change management.

The keys of keyboards are injection moulded in complete sets rather than one at a time, platen prodnction is antomated, and motor production has been rationalised so that one is now made every 10 seconds. Ellmann also discovered that 50 different kinds of paper reports were being made out, 75 per cent of which were never read. These too have become a thing of the past.

A similar tale is that of IBM's Greenock plant in Scotland, where colour monitors are now being made more efficiently than in the company's Japanese colour monitor plant. Over $50m has been invested et Greenock since 1979, and the monitors are made almost completely entomatically, controlled by a hierarchy of communicating computers.

CIM also recently went into IBM'e Havant, UK plant where computer disk stores are made. Each employee now generates eight times as much revenue as they did previously, output per shift is up 50 per cent and the manufacturing cycle time has been halved.

IBM plants are also now seeking to work with fewer, more computer-literate suppliers on a "just in time" supply basis. The idea is to obtain better quality components from a few suppliers with whom IBM will be in contact by standard, electronic methods. (General Motors similarly has made lts automation suppliers conform under MAP — manufacturing automation protocol.)

IBM and other speakers at Bournemouth were intent on emphasising that CIM must be seen as much more than just a collection of communicating computers and automation hardware. The implementation decision is for the board to take, not a manufacturing manager or director, because the decision will affect most, if not all aspects of a business.

For example, IBM, according to one executive, bas recruited no shop floor staff for 12 years. Redeployment policies, associated with re-training will be needed by any company deploying CIM. The people in factories will need to be better educated. As Sir Henry Chilver, Vice Chancellor of Cranfield Institute of Technology, put it: "I cannot contemplate a scenario in which large numbers of uneducated people can be employed."

But other links, currently sometimes tenuous, will need strengthening for CIM.

Design and engineering has already come closer to manufacturing via computer-aided screen and keyboard systems and lt will become mandatory to design products for CIM. Marketing, too, will have to enter the thoughts of manufacturing staff, because "time to market" is becoming a major consideration and will be improved by CIM.

As Sir Edwin Nixon, chairman of IBM UK writes in a foreword to tha new IBM CIM guide: "It gives us the opportunity to line up on the starting block alongside the most successful industrial nations of the world. The apparent advantages of our industrial rivals may not be quite so real as they seem."

THE ARTS

Radio/B. A. Young

Olympian nights

If *Nights at the Paris Olympia* (Radio 2 on Sunday afternoons) is to continue in chronological order, its charm for me is already done. The Olympia was converted from a cinema to a music-hall in the fifties, and in the fifties the best tradition of the French *chansonniers* survived. We were not played anything by Jean Sablon or Charles Trenet on Sunday September 14, but we kicked off with Gilbert Bécaud, who has something of the same style; and we went on to the immortal Piaf, with a song about death, "Les amants d'un jour." We had Les Compagnons de la Chanson (but *not* in "Les trois cloches").

But then there was Frankie Laine, and there was Petulo Clark in her careful French, there were the Beatles, and, horror of horrors, there was Johnny Halliday. Things looked up again with Francoise Hardy, and a singer whose name I could not catch, with a song with a beautiful lyric, "La Pluie." Nowadays the French do what they can to compete with the Americo-British rock singers, and however well they do that they will never offer the characteristic delight of their own songs sung in their own manner. If, in the two remaining programmes, they could even *find* room for Sablon in "Je tire me révérence," I will take back some, though not all, of what I am implying.

Radio 4 gave us a curious programme on Wednesday. Among its curious factors were its name, *Dreamflower and the Toadskin Spell*, the dramatic grandiloquence of the commentary, written by the producer, George Monbiot, and spoken by Tom Baker, and the uncredited *avant-garde* music, but none of them were as curious as its subject, the influence on Western cultures of addiction to the fly agaric mushroom.

The red-and-white-streaked fungus, says Mr Monbiot, was eaten by Siberian nomads and their attendant reindeer, and so gave rise to the red-and-white-draped Father Christmas and his Rudolph. More, "Jack and the Beanstalk" and "Aladdin and his Lamp" are versions of the magic plant story, and Alice's "Eat me" and "drink me" odventures in Wonderland were inspired by Carroll's familiarity with Cooke's *Plain and Easy Account of British Fungi*. More still, the Old Testament and the New both contain, according to John Allegro of the Dead Sea Scrolls, a mystification of drug culture intended to fool the Roman occupation authorities. The Revelation of Saint John *is drug-based; so is the Indian* rope trick. Coming down the scale, we learn that nutmeg and mace are hallucinogens, that hops are related to cannabis, that potatoes were once regarded as aphrodisiac. All fascinating stuff.

Sean O'Casey's *Purple Dust* was put out last Tuesday on Radio 3, but it is not much of a play. Two English gentlemen, Messrs Stoke and Poges, decide to settle in an old Irish country house with their mistresses, but in a welter of obvious jokes about ignorance of rustic life and misunderstanding of the Irish they come to grief almost at once, the two girls eloping with men from the builders, the house overtaken by the first flood of the season. The Irish are given the exaggerated lyrical speech that Irish writers give Irish countrymen. They sound pretty, especially as their accents come from South of the border. But I found it hard to believe that, as his finery turned to purple dust, as they say, an English City man would lament that "My house of pride *is straining towards a fall*."

Radio 4 gave me 20 minutes' enjoyment on Wednesday with *Uncle Clarence*, Alan Bennett's reflection over the grave, or rather the memorial, of his uncle who died at Ypres in 1917, a soldier of the KRR—who died before he was able to be Alan Bennett's uncle. This kind of talk could be the equivalent of the "middles" in weekly magazines in more cultured days. We *could do with more of them, if* they were all as well-written and well-spoken as this.

This column, held over from Saturday, will resume its normal position on Saturday's Arts page this week.

The Snow Queen/Covent Garden

Clement Crisp

On Saturday afternoon I found David Bintley's *The Snow Queen* transformed from a protracted fairy tale into a drama of real urgency. The reason was the *first* appearance of Iain Webb as the hero, Kay, whose tragedy is told in the ballet's second and third acts. (The first act remains an interminable conflation of bits of *Petrushka*, *Le Baiser de la fée*, and dubious folk-lore replete with tiny bells, antlers, and fac too much apple-cheeked joviality *from* Sadler's Wells Royal Ballet's dancers.)

With the second act, and the effective start of the story, Mr Wobb *and* Sandra Madgwick, making her debut as Gerda, Kay's beloved, brought such freshness and integrity to their playing that the piece suddenly seemed to me serious, its narrative authentically touching.

That it was so is owed to Iain Webb's dramatic sensitivity and to the communicative clarity of his dancing. He sets Kay's identity as a happy lover with complete sincerity: Gerda and Kay are enchantingly in love. The faint cry of the Snow Queen's voice, and the appearance of her wolves, inspire in Mr Webb a transformation of Kay's character which gives the ballet a heart and a profundity I had not sensed before. The darkening of Kay's temperament, his mocking anger and his sufferings, are shown with a piercing simplicity that tell of dance acting of truest merit. In small gestures as in the broad flow of his movement—big, space-cleaving leaps—there is an inevitability and an emotional momentum to this reading which reveal an artist absolutely in command of the stage.

Alas for Mr Wobb as Kay in the third act. He must stand shivering through its opening prolixities—David Bintley has never *made anything duller than* the divertissement which rattles about the stage for the first half of the scene—before he can again assert his abilities and make the closing sequence, where Kay abandons Gerda for the last time, something admirable in its sustained pathos.

Both the leading female roles in *The Snow Queen* have the resonance of postage stamps. Sandra Madgwick, so bright and fleet a dancer, does everything in her power to make Gerda interesting, and holds our sympathies in the girl's sufferings as in her initial happiness. The part of the Snow Queen seems to me wholly undeveloped—she may have been winner of the Polar orabesque contest but is otherwise two-dimensional—albeit Chenca Williams, also making a debut, gives her an incisive style and presence. The ballet, though, was Iain Webb's at this matinée: he justified it in a memorably good and serious interpretation.

Whitechapel Gallery/William Packer

Master Schnabel's new clothes

The moral of the tale of the Emperor in his fine new clothes and the little boy who was not impressed is clear enough and might even seem to supply for the critic the first measure and example. But to act upon it is another matter, *for it stands* firm upon the certainty and simple courage of innocence; these are stiff virtues to lay upon anyone, but for the critic they are stiffer than most. Sooner or later, however, one's turn comes round: no age is immune from bad art, from mistaken, inflated reputation, nor from work from which one can turn away only so many times. So here we go.

With a major review of his work since 1975 now at the Whitechapel (until October 26—closed Mondays: then on to Paris and Düsseldorf), it is time to consider the curious *case and wonderful success* of Julian Schnabel of New York.

He is now 35, but though he showed his work off and on from the time he was a student in Houston in the early 1970s, it was not really until some seven or eight years ago, by which time he had established himself in New York, that his career prospered. Certainly he had the great good luck to find himself in the right place at the right *time*.

The New York art world, which we all know to be the *soi disant* and natural focus of all that is original and creative and modern, had found to its horror that in painting, at least, significant moves were afoot elsewhere, most especially in Europe with Germany and Italy in the lead. Expressionism was back and figurative, symbolic expressionism at that; and what else to do but search desperately for the local product. In that sellers' market the work only had to hit the wall to be sold out by the exhibition load; who was to say that the image had been mistaken for the substance, with so much at stake? With the punters still punting, Schnabel has not been the only one to benefit from a market that sustains itself.

Even Schnabel's apologist, Thomas McEvilley in his catalogue introduction, feels obliged to address this issue, glossing "the market's adulation of him and the critics' *frequent hostility towards* him" as "two ramifications of one fact: that Schnabel has been received as a champion of Modernism, which is dear to the market, and implicity as a destroyer of Post-Modernism, which is dear to many critics."

Well, I am not so sure that those critics and curators, who have been made sure to include Schnabel in their major and even definitive exhibitions these past few years, have always found the market quite so inimical; nor do I accept altogether McEvilley's disingenuous suggestion that *Modernism* is just what happens to be all the go at a given moment. What worries me is that a painter such as Schnabel should be raised to the status of a Modern Master simply by the uncritical insistance of the market, through the price his work commands.

Schnabel himself has little doubt of his right to stand shoulder to shoulder with the Masters of this or any age. In an *interview with Matthew Collings of Artscribe International* he rounds upon an unnamed critic who "looked at my painting of St Francis and said that the image came from Bellini. *In fact it came from a picture* of an Ethiopian in *National Geographic*. The skull didn't even look like Bellini — *it* was better than Bellini, it was El Greco." One can hardly argue against confidence like that, but the fact remains that by every criterion of criticism, whether of form or content, Schnabel the painter has little to recommend him; it is only Schnabel the phenomenon and sport of our time that is of passing interest.

By habit the work large, too large. Even before it is touched by the brush, a large canvas — and some of these extend over more than 20 feet — is possessed of a *naturally* impressive presence. Images stated on such a scale with a modicum of flair or spirit may achieve an easy authority; it takes more than the common run of incompetence and ineptitude to divest such an object and surface of all interest.

Schnabel throws himself into it with commendable energy and persistence and manages the trick every time. The paint *is uniformly* dull, the *surface* dead, the imagery banal and poorly drawn, the whole characterised by pomposity and pretension and a total absence of wit. He evidently finds it hard *to manage paint, yet his conceit* is invulnerable, for he quotes repeatedly from great art—from Caravaggio for example in his *Exile* painting—with a bamfistedness that would disgrace the student, and without a blush.

Where the comparative simplicity of much of his work is insufficient for his purpose—perhaps even he grows desperate—he resorts to the technical device by which he first achieved his notoriety, clotting the *surface* with broken pots and plates, or such things as antlers, rods and branches, to fracture and violate the picture plane. "I had a funny idea that I could make a painting the size of the closet . . . (and) cover it with broken plates. A rendering of the shadows of the plates on the closet seemed futile. I couldn't draw it so I thought it would be a good painting. My interest . . . to be honest, I didn't know what I was interested in. I was looking in wonderment at something that was all broken up."

There is of course no reason why paint should not be applied to anything at all by a true artist and a true work of art

Roger Taylor

Detail from Schnabel's Exile (1980), described as oil and antlers on wood

Roger Taylor

General view of the exhibition shows large scale of Schnabel's canvasses

result, but mere wishing or asserting will not make it so. Schnabel's wonderment does him credit, but it is what he makes of it that matters, not his explanation and self-justification. We must look at those things of his as they actually are, and behind the flannel what we find is no formal excitement in the fresh association of paint and china but only the crudeness of images crudely imposed. A hermaphroditic Christ on the Cross is only the most embarrassing of them, and more embarrassing for Schnabel than for us.

Brave Modern Art will always need its defenders both in principle and particular, and the more difficult and extreme it is, the greater will be the need. But the danger is that the indefensible slips through and we must always remember the little boy in the street as his Emperor walked by. Painters like Schnabel are the ones who put us to the test.

Hertfordshire Chamber Orchestra

David Murray

Amateur groups are rare in the Elizabeth Hall. The Hertfordshire Chamber Orchestra consists of amateurs, though you might hardly guess it, and they are not by any means all keen youngsters. Some of the credit for their zestful unanimity must belong to their conductor Edmon Colomer, but there is a strong sense of uncommercial musicianship bubbling up everywhere (without competitive star turns). On Sunday they began promisingly with a buoyant *Figaro* Overture, swift and bright, and then got down to providing a *notably alert accompaniment* for Christian Zacharias in Beethoven's Piano Concerto no. 4.

Once almost a connoisseurs' piece, the Fourth is assiduously performed now by almost everybody, *becoming blander and* more conventionally sincere by the season. It takes a performer like Zacharias to bring it back to spontaneous imaginative life. His playing teemed with ideas: quick-witted surprises, fresh left-hand pointing, unusually astringent staccato in telling places. The trills that stud the Concerto were under remarkable expressive control, and Zacharias's pianissimo delicacy carried as effectively as his bold *sforzandi*. One doesn't often hear a performance at once so intelligent and so playful as this one was. The orchestra lacked an ounce or two of dark weight at the start of the Andante; otherwise only praise was due.

After the interval we had a devoted reading of Ginastera's *Variaciones Concertantes*, a friendly study-piece in which the many mini-solos were taken with conviction if not with full professional security. Colomer shaped individual variations gracefully, though he allowed too generous pauses between them. His Allegro for the beginning of Prokofiev's "Classical" Symphony was cautious, but it built up an exuberant head of steam. Slightly stiff Larghetto, comically pompous Gavotte with lurching rubato; then a fizzling Finale which kept its sparkling edge to the last chord. For a while, one began to wonder whether music-making wouldn't improve out of recognition if we did without professionals altogether.

Ballet Rambert's diamond jubilee tour

The Ballet Rambert is to take all its new works presented in *London during the summer on* tour during the autumn, together with the premiere of *Dutiful Ducks* by Richard Alston and a revival of Christopher Bruce's *Night with Waning Moon*.

The new works are Michael Clark's *Swamp*, Ashley Page's *Carmen Arcadiae*, Ian Spink's *Mercure*, Christopher Bruce's *Ceremonies*, Richard Alston's *Zansa* and Mary Evelyn's *Dipping Wings*.

The towns to be visited between October 7 and December 6 are Canterbury, Oxford, Plymouth, Bath, Nottingham, Glasgow and Newcastle.

New presidents for Holst Singers

Composers Oliver Knussen and Colin Matthews are to succeed the Holst Singers' founding president Imogen Holst.

The choir opens its 1986/87 season in St John's, Smith Square, on November 6 with the *first of a three-concert series of* music written in Paris, London and Vienna, including that of Fauré, Brahms and Elgar.

Eleventh Gdansk Film Festival

Ronald Holloway

The image of Poland as a *phoenix rising from its ashes* could not be more true than it was this month at the eleventh Gdansk Festival of Polish Feature Films. Just a few years ago, in the aftermath of martial law, no one would have predicted that, amid the shelving of many politically critical films and the emigration of directorial talent, Polish cinema would recover with such dramatic swiftness. Yet the evidence is there: half a dozen productions are ripe pickings for festival directors, and some might even reap an extra bonus on the modestly commercial art-house market.

Andrzej Wajda's latest, *A Chronicle of Love Affairs*, is one of his best, and a downright relief after the fumbling abroad to say something relevant about Poland in French and German productions without the security of working with both feet on home ground. It's a nostalgic glance-over-the-shoulder to the summer of 1939 in that culturally rich capital of Lithuania, Vilnius, which subsisted from 1920 until the *outbreak of the Second World* War as a part of Poland.

The film is based on Tadeusz Konwicki's novel with the same title, the "love affairs" referring not *only* to an autobiographical teenage romance but also to the people, the landscape, and nature. The soundtrack bristles with the sounds and rustling of late summer, the photography (by Edward Klosinski) embraces all the figures in a warm flood by shooting against the sun, and the story distils the essence of humanity.

The writer Konwicki appears intermittently in brief dream-like conversations with the protagonist Witek, a lad preparing for his exams to enter medical school but constantly distracted by his *amour fou* for the lovely, yet elusive, Alina. She is of "nobler" status—her father is a colonel in the Polish army—than his own.

Following the lines of a Romeo and Juliet tragedy of suicide (which fails, like most of the lad's other attempts to wrestle with his fate), the story has a rich texture and depth at nearly every turn and twist.

Most intriguing of all is the blending of three forms of religious experience (Catholic-Protestant, *Russian Orthodox*, and Jewish) into the whole, as well as the sketching of cultural and national layers of life in the university city of Vilnius.

Another important film also came off the shelf at Gdansk, Jerzy Domaradzki's *The Great Race*, produced for Polish Television and the "X" film unit in 1981 and released now via the "Perspektywa" film unit. Set in the postwar Poland of Beirut and the Personality Cult, *it describes* the frantic happenings during a three-day marathon "race for peace" in the spring of 1952.

The screening coincided with the release of some 200 political prisoners across Poland in a show of government amnesty, whereupon at a forum of filmmakers it was announced that more shelved productions will soon be released as well — among them Krzysztof Kieslowski's *Coincidence* and Janusz Zaorski's *Mother of Kings*, both 1981-82 productions.

Each day of the festival had its pleasant surprises. Witold Leszczynski's *The Man with the Axe*, based on an Edward Stachura novel, recounts in static, powerfully visual images the retreat of a student to a wintery wilderness to come to terms with himself in much the same manner as many Polish intellectuals tackle the *problem* today.

Feliks Falk (the scriptwriter *for The Great Race*) picked up a story that made both him and actor Jerzy Stuhr (recently seen in Wajda's *Crime and Punishment in Edinburgh*) household names back in 1978 and produced a striking sequel to *Top Dog* in the critically satirical *Hero of the Year*, a film that definitely has its roots in the contradictions of martial law in Poland.

And Tomasz Zygadlo's *Childhood Scenes of Provincial Life* adapted Stendhal's *Le rouge et le noir* to events in Poland at the turn of the present decade.

Scene from Wajda's A Chronicle of Amorous Accidents

Eight venues for Dance Umbrella '86

Dance Umbrella '86 will run for six weeks in London from October 6 to November 8, with performances by over 20 companies and soloists from Britain, Europe and the US.

The festival will take place in eight different venues: The ICA, Riverside Studios, The Place, the Whitechapel Gallery, the Bloomsbury Theatre, the Donmar Warehouse, the French Institute and Chisenhale Dance Space.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

September 19-25

TOKYO

Pina Bausch and Wuppertal Dance Theatre, Kontakthof. National Theatre (Mon, Tue, Wed). (580 0031).

PARIS

Opera Kunqu, Nankin. Le Pavillon des Pivoines. Théâtre Mogador (4874 5724).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera presents Verdi's Falstaff directed by Liviu Ciulei. The Hague Philharmonic conducted by Hans Vonk, with Timothy Noble in the title role, Ashley Putnam and Anne Howells (Wed). The National Ballet with the world premiere of Hans van Manen's Opening, the Collective Symphony by Van Dantzig, Van Manen and Van Schayk, and Van Schayk's Seventh Symphony (Thur). (255 455).

Scheveningen, Circus Theatre. Nederlands Dans Theater with a new ballet by Nacho Duato, and Jiri Kylian's Svadebka and Stamping ground (Thur). (55 88 00).

Eindhoven, Schouwburg. Karole Armitage with the world premiere of her ballet The Elizabethan phrasing of the late Albert Ayler (Thur). (11 11 22).

WEST GERMANY

Berlin, Deutsche Oper: Die Meistersinger von Nürnberg with Mari-Anne Häggander, Gerd Feldhoff, Gerd Brenneis and Peter-Christoph Runge. Aida with Julia Varady and Giorgio Lamberti (34 381).

Frankfurt, Opera: La Gioconda, in a concert version, has Galina Savova in the title role. La Bohème, a Volker Schlöndorff production, has a particularly strong cast with Ilona Tokody, Hildegard Heichele and Alejandro Ramirez. (25 621).

Stuttgart, Württembergisches Staatstheater: Die Fledermaus will have the main parts sung by Milagro Vargas, Eva Lind and Toni Krämer. (20 321).

VIENNA

Staatsoper: Tosca conducted by Buckley with Tomova-Sintov, Aragall, Wixell, Kerns and the Vienna Boys Choir; La Gioconda conducted by Fischer with Marton, Semtschuk, Lipovsek; Le Nozze di Figaro conducted by Mund with Lilova, McLaughlin, Janowitz; Il Trovatore conducted by Bareza with Zampieri, Obraszowa, Simonida, Cappuccilli. (51 444/26 55).

Volksoper: *Madame Pompadour*; Orpheus in der Unterwelt; Schwanda der Dudelsackpfeifer. (51 444/26 57).

LONDON

English National Opera, Coliseum: Further previews of the new-look, non-Japanese Mikado, produced by Jonathan Miller, with the Ko-Ko of Eric Idle leading a cast of ENO regulars. Of the two current revivals also in the repertory, the Miller production of The Marriage of Figaro earns a reasonable recommendation, especially for the Count and Countess of Jacek Strauch and Valerie Masterson; Il trovatore is poor to look at, and only really worth hearing for Kenneth Collins in the title role and Ann Howard as Azucena. (836 3161).

WASHINGTON

Moiseyev Dance Company (Opera House): The Soviet folk dance troupe provides native fare from dozens of regions and ethnic groups in its week-long stay in Washington. Ends Sept 28. Kennedy Center (254 3770).

NEW YORK

Metropolitan Opera (Opera House): The season opens with John Dexter's production of Aida conducted by Nello Santi with Martina Arroyo, Grace Bumbry, and Cornell MacNeil, along with the premiere of Otto Schenk's production of Die Walküre conducted by James Levine with Hildegard Behrens, Jeannine Altmeyer and Simon Estes. Lincoln Center (362 6000).

Out-of Towners Series (Dance Theater Workshop): The ninth annual invitational dance, mime and performance whirlwind features this week Janie Geiser from Atlanta performing Blue Night. (Thur). (19th St. W. of 7th Av (924 0077).

CHICAGO

Lyric Opera: After a 20-year absence, The Magic Flute returns to open the season, with Francisco Araiza as Tamino and Judith Blegen as Pamina, conducted by Leonard Slatkin in August Everding's production (Tue). Michael Tilson Thomas conducts John Copley's production of La Bohème with Katia Ricciarelli as Mimi and Luis Lima as Rodolpho (Wed). (332 2244).

FINANCIAL TIMES

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Tuesday September 23 1986

Gleneagles: oceans apart

THE GLENEAGLES meeting of European finance ministers makes a thoroughly depressing prelude to the annual meeting of the International Monetary Fund this week, for it showa that the Americans and the West Germans, the most vocal participants in the International debate on economic policy, are barely even discussing the same subject.

The European position would probably get good grades from any committee of academic economists, especially if they were inclined to monetarism: current monetary and budget policy ln the US does court inflationary risks; and a European or Japanese gesture of monetary or fiscal expansion would do little to relieve tha basic imbalances in the world economy. A period of exchange rate stability would also be desirabla in decision-making everywhere, and the internal imbalances of the US must be addressed sooner or later. The logic is irrefutable.

However, like most logical abstractions, it leaves a great deal out—especially the financial and political issues which mainly preoccupy the Amaricans. These are clustered round the twin issues of debt default and protectionism. Mr Paul Volcker, the Fed chairman, has for four years taken the lead in relieving what bad become quite insupportable financiol pressures on debtors ln the developing countries, and in the US itself. More recently, Mr James Baker has taken over his message that increased export opportunities for debtors provide the only constructive answer.

Indignation overdone

US domestic pressures for protectionism have also been very strong, and remain e threat; depreciation of the dollar bas been adopted as a more constructive way of reducing competitive pressures (and here the ecademics would give their high marks to the US). The consensus of recent studies—the most recent from the National Bureau of Economic Research in Washington—and of US menufacturers is that even now the dollar ls significantly over-valued against tbe D-Mark and the Japanese yen, so European indignation at Mr Baker's recent remarks about the dollar aeem overdone.

In eny case, European leeders cannot shrug off the prohlems which preoccupy the Americans as none of their business, and call for everyone else to put their bouses in order. Agricultural pollcy is now a major cause of dislocation in some of the poorest countries of the world, which can no longer compete with the produce dumped by the EEC and now counter-subsidised by the Americans, who are contending with a disaster in their own farm belt.

It is a pity that Mr Nigel Lawaon will not be in Santa Lucia for the meeting of Commonwealth finance ministers today, to experience the full beat of the anger which agricultural exporters, vocally led by the Australians, now feel on this issue. Unless the main agricultural producers ore not to be allowed to exploit their comperative advantages through trade, tben again logic argues for a devaluation to offset the comparative advantage of those who can rely more heavily on other goods and services. Much will depend — in the long run — on the enrrent Gatt talks.

Massive intervention

This is not only the logic of trade economics, but the logie of financial markets; if the causes of lmbalances are not tackled, then their consequences in the exchange markets cannot be resisted. The dollar has not, after all, been falling in a free market; the most recent figures for the US capital account simply imply lntervention on such e massive scale that in the second quarter of this year lt financed two-fifths of the US current account deficit. Intervention is no more effective now, in the absence of eppropriate changes in economic, monetary and trade pollcy, than it was in the late 1970s, and tearful appeals to the spirit of the Plaza agreement will not change that.

The good news from Gleneagles is that the Europeans do want to revive a co-operative spirit. Tha IMF meeting could still be the stage for a meeting of minds if both sides realise that pollcy choices determine sustainahle exchange rates. If realistic targets could be agreed on this hasis, then lndeed lt would be best to reach them swiftly, and then try stability.

A step forward in Stockholm

THE AGREEMENT ln Stockholm by all the Nato, Warsaw Pect and European nentral and non-aligned countries on confidence-building measures to reduce the risk of wars marks an important development in East-West relations. As much as the content of the agreement, which goes considerably further than expected only a few months ago, it is the conference's likely effect on the whole climate of East-West relations that could prove to be the most aignificant result.

A major East-West security deal has been concluded ot o time when Washington and Moscow are involved in en acrimonioua quarrel over the alleged spying activities of Mr Nicbolas Daniloff, a US correspondent in Moscow, when the proposed Soviet-American summit is still ln doubt, and when the Geneva nuclear arms control negotiations remain stalled. Needless to say, that could not have been possible without the necessary political will to make substantial concessions on tbe part of the principal protagonists in Stockholm—tbe US and the Soviet Union.

The Stockholm agreement, despite imperfections and limitations, should therefore be seen as a good omen for prospecta at the nuclear end chemical weapons disarmament negotiations in Geneva, ond even the hitherto intractahle conventional forces reduction talks in Vienna.

There ore other grounds for hope to be found ln the detailed provisions of the agreement. The acceptance hy the Soviet Union and its allles of the principle of on-site inspection of their military activities by Nato and neutral countries from the ground or the air has heen described by the chief US negotlator as nothing less than "an historic step."

Important decisions

That claim is justified not only hy the fact that the 1975 Final Act of the Helsinki Security Conference provided only for the voluntary invitation of foreign observers lo manoeuvres and did not include a verification scheme, hut also by the implication of the principle of mandatory lnspection for other arms control negotiations.

The Stockholm conference deals only with confidence building measures, but the really important decisions on arms control will be taken ln Geneva and Vienna. It will not be until the Soviets show that they are prepared to accept a much more complicated and rigorous onsite inspection and verification scheme — including the new principle of "challenge inspection" lncorporated in the Stockholm agreement, for nuclear, chemical and conventional arms—that a real breakthrough will have been made in the field of disarmament.

The US and some other delegations were particularly disappointed witb the fact that the Soviet Union managed to impose its views on the matter of the nationality of inspecting aircraft. Both Nato ond the neutral and non-aligned countries reasonably believed that the use of neutral aircraft to inspect military activities of both sides was o fair and reasonable proposal. But the Soviets insisted that the inspected nation should provide the aircraft.

Greater defect

A mncb greater defect of the egreement is that it foils to deal with the important issue of exchanging military lnformation, which has been one of the main obstacles to an agreement on conventional force reductions in Vienna. An exchange of information on Nato ond Warsaw Pact force strengths and capoblllties ln Europe is rightly considered by the Western alliance as a basie requiremant for ensuring peace in Europe.

It should be remembered, too, that the confidence-building measures deolt with by the Stockholm conference are no more than a part of the Helsinki process, started more than 10 years ago and continued in Madrid between 1981 and 1983.

Whila the Stockholm agreement will, no doubt, weigh positively ln the balance, the same can hardly ha said of some of the other aspects of the Helsinki agreement such as the respect of human rights, on which the Soviet Union haa fallen far short of the standards required hy the West.

Only a full acceptance by Moscow that confidence building extends to this eree as well will achieve the balanced new deal in East-West relations which Mr Mikhail Gorbachev, the Soviet leader, says he wants.

L. to r. US Representative Clayton Yeutter, EEC Commissioner Willy de Clerq, EEC Chief of Geneva Delegation Paul Tran Van Thinh and US Agriculture Secretary Richard Lyng

The mood, at least, appears positive

By William Dullforce in Punta del Este

"WHEELS UP on Saturday morning," Mr Mike Smith, the deputy US trade representative warned ministers at the baginning of last week's meeting in Punta del Este. After battling for two years to start nations negotiating a widening of free trade, the US was not concealing its impatience that the ministers should meet their deadline.

They almost made it. Tha US Air Force jet lifted from Montevideo airport just after midday on Saturday, carrying home a US team armed with a ministerial declaration launching a new trade-liberalising round under the General Agreement on Tariffs and Trade (Gatt).

The prize, snatched after 30 frenetic hours of non-stop wrangling and horse-trading, should, the Reagan Administration hopes, dampen the ardour for trade protection in the US Congress.

A breathing space is now needed—and a strict observance of the commitment by governments in Uruguay not to introduce new trade restrictions—to enable negotiatora to gather in Genevo and organise the new round.

An optimistic four-year limit has been set for completion of the talks. Earlier Gatt rounds bave regularly exceeded their schednles and this one is the most ambitious and complex yet.

But a convincing start before the end of the year wonld signal that Gott's efforts on the trade front were st last joining the international attempt to co-ordinate economic policiea lnitiated last year by the big industrial powers.

Reform of the currency system and co-operation in solving the debt problem can only be hindered by the preaent discord over trade and the bovering threat of a relapsa into full-scale protectionism by the US Congress.

Mr Clayton Yeutter, the US Trada Representative, aims to start persuading senators snd congressmen in Washington this week that the results be, Commerce Secretary Malcolm Baldrige and Agriculture Secretary Richard Lying obtained in Punta del Este should lead to an opening up of world markets for US business.

Tha US has pushed on to the agenda for the new trade rnund all the ltems on which it was insisting—agriculture, trade in services, intellectual prnperty rights, and even tha trade-related investment issue, on which Mr James Baker, the Treasury Secretary, had put so much emphasis.

Yet tha most significant outcome of the Punta del Esta meeting may well be not the US success but tha feeling at the end that all sides had come out with something.

The ministerial declaration, riddled as lt is with language-contorting compromises, will probably be forgotten by all but serious Gattologists in a year's time. But if the lightened mood and sense of accomplishment it generated among ministers and senior delegates on Saturday morning can be sustained into tha real negotiations, who knows, it could be "wheels np" for Gatt as well.

Some sobering up is inevitable when trade officials in capitals start to draw the implications of the declaration and to prepare their briefs for Geneva. Ministers committed their governments to the most serious attempt yat to fit the grossly distorted trada in farm products into tha Gatt

They also undertook to consider extending the general agreement to cover trade in services and the other "new" issues.

The 12 member-states of the European Economic Community now bave to come to terms with the fact that EEC agricultural policy has effectively been sucked into the Gatt. France's desperate resistance to any interference with the Common Agricultural Policy was broken in Punta del Este by the combined weight of the US and tbe new grouping of 14 "free-trading" farming countries organised by tbe Australians.

Mr Michel Noir, tbe French Foreign Trade Minister, claimed occurately that the EEC Commission negotiators had successfully prevented CAP export subsidies from heing singled out in the declaration as the object for attack in the coming negotietions. The declaration implicitly puts up for nagotiation the US domestie support to farmers as well, although with a farm-belt crisis on it hands in an election year, perhaps too much should not be expected from Washington.

With equal justification, bowever, Mr John Dawkins, the Australian Trade Minister, triumphantly announced at the end of the meeting in Punta del Este that what he called the real ceuse of the crisis in world agricultural trade—EEC export subsidies—would he on the negotiating table.

It is nn secret that the British and some other EEC governments are less than alarmed at the thought of the CAP coming under external pressure to reform. Senior Britiah officials welcome the opportunity of being able to re-open in the heart of the Community discussion on wbat should be done to reduce price levels for farm products and cut the CAP bndget.

In this context, Punta del Este is likely to be remembered for the emergence of a third force in world agriculture in the shapa of the "free trading" Cairns group, so called from tha venue of their last meeting in Australia at which they prepared a common programme for the Gatt ministers' gathering.

Some EEC officiels dismiss the 14 Cairns countries as a one-issue gronping.

Nevertheless, they worked well together in Uruguay and immediately after the closing plenary sessions they agreed to bold annual meetings of ministers and to co-ordinate their farm trade strategies in Geneva.

The aervice issue ia more inchoate. Only a few countries have so far started to analyse the trading interests of their banks, insurance companies and information technology industries and to draw up policies.

The compromise at Punta del Este concerned how to start negotieting on the general framework of rules for services which the US sees as the first step towards the elaboration of more detailed sectoral regulations.

A firm commitment has been made by ministers to elaborate within Gatt new rules for intellectual property rights and the bandling of counterfeit goods. Despite tbe frequently expressed dissent of several developing countries, national regulotions which prevent foreign companies from investing in a country to promote their trading interests will be o subject for negotiation.

The US Treasury bopes to exploit the negotiating group on this subject to remove the netional legal burdles which are hindering beavily lndebted countries from taking advantage of the opportunity to cbange loans into equity investment by lendera. This is also in line with the debt-relief programme proposed last year by Mr James Baker, the US Treasury Secretary, but in practice companies have not been eager to take on eqnity commitments at e time wban national regulations hamper them from generating and repatriating profits.

These were the big issues in Punts del Este; bnt there was another perhops of even greater potential importance: the decision to clean up the Gatt itself.

The ministers' declaration consecrates again after years of neglect the signatories' commitment to observe the basie Gatt principle of non-discrimination in trading practices.

Many of these attempts at reform bave been made in the past to little or no effect. That is why the mood at the end of the Punta del Este meeting is especially interesting. Gatt is a contract without a legal system to enforce it, so that its effectiveness depends on the political commitment of its members.

The right mood is needed to generate tha political will. The next few weeks should show whether the mood at Punta del Este can be sustained.

DEVELOPING COUNTRIES FIND SOME ALLIES

DEVELOPING countries talked on equal terms with the industrial powers at Punta del Este for the first time in the history of the General Agreement on Tariffs and Trade (Gatt), Mr Roberto de Abreu Sodre, Brazil's External Relations Minister, said at the end of the trade ministers' meeting.

His observation was echoed by Gatt Secretariat officials, acknowledged by European ministers and confirmed by other Third World delegates.

"Brazil and India played chicken with the US over tha services issue," Jamaica's Tony Hill said. The US conceded them something like the "twin track" they had fought for, keeping the talks on services separate from those on goods in the new round.

Punta del Este, a Uruguayan resort deserted in the dead winter season, was chosen far the Gatt meeting in a deliberate political gesture. The confident handling by some developing country delegates suggests that the move may indeed have belped to allay Third World mistrust of Gatt and preference for the more cumbersome United Nations Conference on Trade and Development (Unctad), the farum for north-south issues.

Should that prove to be the case, it would indeed be a big step forward for Gatt. Since it was founded 40 years ago, the organisation governing world trada has carried the cachet of a rich man's club, even though more than two-thirds of its present 92 members are developing countries.

The impression that the Third World is playing n bigger role in Gatt needs to be tested against the objective benefits they brought away from Punta del Este. To start, with, Gatt's last report showed that the export earnings of developing countries fell in value by 5.5 per cent last year, while imports were down by 6.5 per cent.

Many developing countries sought and nbtained with the backing of the European Community a strong statement that one objectiva of the new round should be to improve the functioning of the international monetary system and the flow of investment to the Third World.

Among the subjects for negotiation in the new round some are of special interest to the developing countries. They are the liberalisation of trade in tropical prodnets and natural resonrces and talks about integrating textiles and clothing into Gatt.

The Third World cheers on the free farm traders in their campaign to get rid of the subsidies paid by the EEC and the US an their farms exports. The subsidies spark off trade wars for the control of third markets, from which developing countries are then dislodged.

Mr Clayton Yuetter, the US trade representative, argues that the developing countriea will benefit more from free trade than from the current shielding of their markets. The US plans to phase out the preferences it grants to imports

An important theme to US eyes is the view that newly industrialised countries such as South Korea and Singapore should move into a non-Third World category and start assuming tha responsibilities of the industrial powers.

Singapore's desire for an agreement on trade in services distinguishes it from most developing countries. The Third World is fractured hy interest and stages of development and the north-south division is obsolete. But for the developing world, the key judgment is whether a reinvigorated Gatt and a more open trading system can deliver a better deal than today's web of bilateral restrictions.

Men and Matters

Leading Edge of technology

Four phone calls from different perts of tba world provided proof at the weekend of the reputation that Gordon Edge bas established in 17 years ot the belm of PA Technology, one of Britain's leading technical consultancies.

Each of the calls—from business equaintences who bod beard he was leaving the business be founded in 1969—was to offer cash, of np to several million pounds, to back him in whatever be decided to do next.

The quietly spoken Edge, 49, has perhaps more claim to the title of the UK's leading technology guru than such flamboyant figures in the bigh-tech business as Sir Clive Sinclair and Alan Sugar.

After a spell ln electronics research with Pye of Cambridge, Edge started work in 1962 for Cambridge Consultants, a UK research company wbich is now part of the Boston-based Arthur D. Little consulting group.

In 1969, Edge persuaded PA, the management consultants, to back him in setting up e new style of technical company which would work on scientific projects for blue-chip manufacturers around the world. The formula worked so well that PA Technology now employs 800 people in three continents and has annual sales of £50m.

Edge bas left PA to set up o new organisation—title as yet undecided—which will carry on the idea of channelling expertise to big companies in mannfacturing, financial servicea and advertising.

Some of the offers of cash support over the weekend may well be taken up as Edge says the new enterprise will need hefty finance and will grow vigorously.

A workaholic who begins a 12-hour day at 5.30 am, Edge used to compose light operettas but is now ahort of time for such frivolities.

"That's a very nice compromise, dear—non-nuclear bnt patriotie"

Sign posts

Morgan Grenfell, dne to report next month its first interim results since the June flotation, has been circulating to its clients and friends an exceadingly glossy brochure about itself. The hlurb is illustrated with photographs of some 50 of its top directors, posed amid highly polished wooden surfaces in London or more exotic locations such as the Raffles Hotel in Singapore.

Nothing unusual about thst in these increasingly competitive times in the City—except that each photograph is accompanied by a meticulous reproduction of its subject's signature, authentic even to the colour of the ink he uses, and tha scratchiness of bis pen nib.

Might this not, I wondered, be a little imprudent for a banking group which controls many billlons of pounds of assets? Morgan tells me it thought about this, and even took professional advice. But it was decided that, since many of these signatures bave already appeared on numerous public documants, it did not matter. And anywey, it wanted to point up the group's "individualism."

Even if there is nothing there for the forger, I should think a bandwriting expert would have e field day.

No sports

The choice of the Scottish golfing resort of Gleneagles as the venue for the aix-monthly informal get-together of EEC finance ministers and central bankers would seem to indicate a sporting instinct in that worthy and often weighty body of men.

Not ot all. When they met at the weekend, barely a muscle was stretched.

Nigel Lawson, Chancellor of the Exchequer and host, was positively proud of the fact that he had no intention of wielding a cluh. He regards all forms of sporting exercise as an offence against human decency, it seems.

Dutch minister, Onno Ruding, did claim at one stage that he was going for o swim; and Jacqnes Poos of Luxembourg confessed to taking a stroll.

But on the whole, ministers did at Gleneagles pretty much what they do each month in Brussels — talk, talk, and hreak for a substantial dinner.

The hank governors were more energetic. Rohin Leigh-Pemberton, governor of the Bank of Englsnd, who once had to identify his golf clubs on the tarmac at Shannon airport to prevent them being seized as o suspected bomb, was clearly the entbusiast behind the ehoice of location.

Karl Otto Poehl, of the West German Bnndesbank, also showed his only real enjoyment of the weekend talks during an early morning foray on to the fairway.

Those in the know say Poehl really enjoys best his games against Willem Duisenberg, governor of the Dutch central bank, because they are well matched.

Mischievously, the sources edd that he also rather likes to play Leigh-Pemberton because then be always wins.

Borrowed time

Austrian officials, hosting tha 35-nation talks on European security in Vienna, hope they will end within a year, but they are not taking ehances.

After the recent experience in Stockholm where clocks had to be stopped just before tbe final deadline to enable the conference to conclude its business, a new clock that ean be stopped has been bought and hastily installed in Vienna's old imperial Hofburg Palace which houses the conference hall.

"It's not a question of being pessimistic but I think lt will turn out to be a wise decision," said ona Austrian official.

Short story

When Gerry Corrigan, president of the New York Fed, addressed a meeting of money market dealers in New York last week just as Wall Street was having its fit of nerves, be confessed to a big prohlem — just obout anything ba might say was bound to knock the market one way or tha other.

"One possibility that occurred to me," he said, "was to stand up and read tha Declaration of Independence, on the assumption that surely it would not have a market lmpact. On reflection, bowever, I decided ageinst that approach; too many of yon might have sborted sterling."

Observer

Letters to the Editor

Overvalued currencies

From the treasurer, Labour Economic Policy Group

Sir,—As a result of Bank intervention in the money markets to hold up interest rates the real exchange rate against the D-Mark in the third quarter of last year rose to 60 per cent above the figure agreed with the IMF in December 1976.

The dollar had likewise risen by 81 per cent since 1978 compared to the peak in early 1985 of 110 per cent.

At DM 2.93 and DM 1.98 sterling and the dollar are still overvalued in each case by at least 25 and 26 per cent.

Keynes noted in late 1931 that the US and France had set the world the problem of how to do without their goods. Japan and Germany have now done the same.

Britain solved the problem in 1931-33 by raising tariffs to between 10 and 50 per cent, by letting the exchange rate fall 30-35 per cent, by setting up an Exchange Equalisation Account to hold down the rate, and by increasing the real money supply by no less than 18 per cent in the first half of 1983. The yield on Consols fell to 2.89 per cent and on Bank Bills to 0.59 per cent. Employment rose by 2.6m in four years. Manufacturing output rose by 58 per cent in six years.

We forgot this after the war. We stuck to the 1949 parity for 18 years, despite a Board of Trade study e year later showing that we were not competitive with Germany and e Treasury recommendation in 1952 favouring a return to a managed rate.

Nothing has really changed. The 4m jobs which have been destroyed since 1974 can be attributed to the reduction of nearly 30 per cent in the real money supply under the last Labour Government and the consequential increase of 40 per cent in the real exchange rate.

Under this Government, the real money supply has increased by 20 per cent, but it needs to go up by another 35-40 per cent to draw back into use the resources made idle since 1974 by lack of spending power. Transfers of spending power through taxation and/or borrowing will do little if anything to create additional jobs, whatever other purpose they may serve.

What is now required is a huge increase in private as well as in public spending on goods and services. This would have to be financed by the creation of credit in the form of e reduction in national insurance contributions and an increase in social security benefits. Asset inflation would be curtailed by imposing selective controls on bank advances. The money economy would then be serving the real economy.

Our deficit in trade in manufactures with the EEC is now running at £12bn a year, and Mr Lawson would be failing in his duty if he now played into the Germans' hands by agreeing to full membership of the EMS. He should know that the rate of exchange, like the rate of interest, is e market-clearing mechanism and that a fixed rate of exchange could only impede our return to full employment et e high and sustainable rate of growth. The huge imbalance in world trade is not going to be corrected until the dollar and sterling have fallen by at least another 20 per cent.

Shaun Stewart.
72, Albert St, NW1.

Good news, jitters and puzzles

From Mr G. S. Hatjoullis and Mr G. R. Lewis

Sir,—The article by Samuel Brittan entitled "When even good news causes jitters" (September 18) contains a number of puzzling allegations and conclusions. Mr Brittan alleges that "... there is very little evidence that the major stock markets have been overvalued in any absolute sense." He asserts that "the adjoining chart, originally prepared by Harris Bank, shows that US equity profits have been rising faster than share prices, whether the comparison is the last five or the last 20 years."

But the chart provides no evidence of "equity profits." It does include a series that purports to be the level of earnings per share for the S and P Composite. If earnings per share of the S and P Composite have indeed been growing faster than the S and P Composite stock price, one would expect the historic price/earnings/ratio to have declined. This has not been the case, et least not since 1979.

Mr Brittan also asserts GNP deflators are "... the best guide to domestically generated inflation in the industrial countries and are much less distorted by once-and-for-all import price movements ..." The distortions to the West German GNP deflator caused by the sharp drop in import prices have been widely reported, including comments by your own Lex column.

Put simply, in so far as lower import prices are not passed on through lower final goods prices, they will be reflected in greater profits and/or labour costs. The latter are directly reflected in the GNP deflator but not in the consumer price index. Lower import prices can thus paradoxically appear "inflationary" if the GNP deflator is used as an indicator of inflation.

We would agree with Mr Brittan that there is more to US grumblings than the J-curve effect. The volume of US exports is still declining while US import volume has continued to rise et a rapid rate despite the decline in the dollar. This suggests the problem may be that domestic demand in the US is growing too fast relative to demand in the rest of the world. One solution is for US domestic demand growth to slow down. Another would be for demand in the rest of the world to grow faster. In view of the fragile state of the US economy, the latter seems a safer alternative. Either way, we fail to see why excessively cautious demand management in West Germany and Japan "... has almost nothing to do with US trade anxieties."

G. S. Hatjoullis and
G. R. Lewis,
BA Investment Management International,
1 Watling Street, EC4

Smoking: verdict 'not proven'

From the Scottish representative, Forest.

Sir,—I am pleased to see that the President of the Royal College of Physicians now (Sept 12) admits that the claim of 100,000 premature deaths due to smoking is an "assumption." I hope that all those in the anti-smoking lobby who regularly repeat that claim as if it were a fact will take note.

I am less pleased to see that he still sticks to the claim that smoking-related deaths are "premature." The statistics which he does not appear to contest indicate that deaths from smoking-related diseases are not occurring significantly earlier than are deaths from other causes among the rest of the population.

Most disappointing, however, is his adherence to the view that the existence of a statistical link between smoking and some forms of fatal illness proves that smoking is the cause of those diseases and that no further research is needed. Surely the fect that most smokers do not die of so-called smoking-related diseases should be sufficient grounds for wishing to find out why the minority do so? Surely the fact that people who have never smoked also die of such diseases indicates e need to seek a cause other than cigarettes? Surely the varying incidence of these diseases in different parts of the country, unreleted to the prevalence of smoking, indicates a need for more study?

I find it disturbing that, on this issue at least, the medical world has closed its mind to further inquiry. I hope for the sake of the netion's health that such assumptions of omniscience are not too widespread.

Smokers, et least, are aware that there is a possible danger to their health. In how many other areas are the public left to eat and drink or pursue other pleasures in near or total ignorance of the damage they might be doing to their health?

Anne Moody.
Freedom Organisation for the Right to Enjoy Tobacco,
28, Alburne Crescent,
Glenrothes, Fife.

Wages council straitjacket

From Mr D. Byrne

Sir,—The recent meeting of the hotels and restaurant wages council has shown the Government's Wages Act to be unworkeble. It comes as no surprise, therefore, to learn that the Department of Employment is dragging its heels in endorsing the outcome.

The wages council found itself caught in the straitjecket of the Wages Act. It was prevented from setting legal minima to cover such basic items as holiday entitlements, differentials and unsocial hours. Faced with the prospect of hotel and catering becoming the only industry of its size that fails to set national standards covering such fundamental terms, the wages council decided to continue to make non-binding recommendations on these items.

The continuation of a role for wages councils in influencing a range of basic standards will benefit the industry as a whole. Many firms look to the wages council for guidance on what kind of terms and conditions should be offered. This not only saves time and expense but helps to promote efficiency and good employment practice.

There is no legal barrier to such a move. The Department of Employment rather lamely argues that employers may think that all the contents of the wages council decision will be binding. This does little justice either to the intelligence of employers or to the drafting skills of the wages council. In reality, it is e shabby attempt by the Government to try to find administrative excuses to further restrict the independence of wages councils.

Dominic Byrne.
Low Pay Unit,
9 Upper Berkeley Street, W1.

Competition can be damaging

From the managing director, Sky-Net Public Relations

Sir,—I read "Mr Levene's plan to torpedo a monopoly" (September 17) with interest. Although the new procurement system is seen to help the Ministry of Defence save money on its purchases, the system of competitive tendering can in many cases produce too many producers of the same product in e limited market.

If three more manufacturers were to bid for the Spearfish contract it would mean three more manufacturers trying to sell their goods overseas in order to recoup their investment in plant and R & D.

We have seen time and time again examples of defence sales being lost to the UK because of three British companies fighting over an order and losing to a French or US company. If the new procurement policies mean a proliferation of new defence companies making products such as torpedoes where world-wide demand runs into only several thousand, it can only mean bad news for the lead contractor company concerned, in this case Marconi, in lost orders and therefore less money to spend on future R & D.

UK Ltd will also lose export orders to the Italians, Germans, French and Americans who have only one company manufacturing this type of product.

While recognising that competitive tendering works in some areas, there must be a rule made in cases such as tanks, aircraft, submarines and torpedoes where competition is more damaging than productive to the economy as a whole.

Julian Nettlefold.
40 Catherine Place, SW1.

From Mr D. Morgan

Sir, — The Financial Times cleans my spectacles far better than any other newspaper I buy and on occasions seems to leave them rose-tinted.

D. P. G. Morgan,
23 Rose Walk, St Albans, Herts.

Europe's technological future

From Dr I. Mackintosh

Sir,—What a pity that Dr Lambert (September 16) has chosen to criticise my book, Sunrise Europe, without epparently reading it. But since non-readers of my magnum opus still outnumber (temporarily, I trust) the informed minority who have taken the trouble to absorb its messages, perhaps I should try to put him straight.

The question of Europe's high-tech renaissance strategy is immensely important and dauntingly complex. Europe is perceptibly fading into insignificance in the single most important industrial sector of the 21st century. None of the nostrums tried so far has had any discernible effect in reversing the decline. Dr Lambert'e pet nostrum, the Eureka programme, is neither large enough nor sufficiently focused on demand pull, to be anything more than a small step in the right direction.

Indeed, such is the complexity of the problem that it has taken me an entire book (almost equivalent to 1,000 of Dr Lambert's letters) to examine and build the case, in layman's terms, for the only strategic plan which can restore us to a position of high-tech parity with our American and Japanese competitors.

Moreover, Dr Lambert will be delighted to learn, the plan does allow full participation by such non-European companies as IBM, which have made e full commitment (including substantial R & D facilities) to Europe. And it is fully compatible with Amstrad's impressive business strategies.

It is possible, of course, that the total plan painstakingly constructed in Sunrise Europe will not work. But only a full, dispassionate, intelligent and informed examination will show conclusively whether this is Europe's one escape from becoming a community of once-industrialised countries (OICs).

Dr Ian Mackintosh.
Chesham House,
150 Regent St, W1.

Tender years of TSB applicants

From Mr H. F. Bear

Sir, — The machinations of the City never cease to bewilder me; a sure sign, perhaps, that I am getting old.

I have always understood that applicants for shares, through new issues, had to be over 18 years of age merely to qualify as e party to an enforceable contract, as opposed to a voidable one.

The TSB'e advisers have seen fit to set the age limit for public applications from youngsters (other than those through parents) at 16.

What recourse has the TSB against juveniles of 16 and 17 whose cheques are dishonoured, stopped or returned because of lack of funds — overdrafts not being permitted — or who submit multiple applications? Can such youngsters be held to the declaration on their application forms? If so, is the normal "over 18" stipulation just another of the outmoded relics of bygone times, which still beset new issues?

Henry Bear.
71, Towncourt Crescent,
Petts Wood, Orpington, Kent.

Britain's contemporary image abroad: poor and mean

From Mr D. MacShane.

Sir,—Is John Redwood, the former head of Mrs Thatcher's Think Tank, serious (September 17) when he says London Airport and the underground are now more cheerful places to visit? The last time I used Terminal 4 I tried to get an intelligent magazine and a serious book to read on a long flight. Impossible. The magazines were either the American news weeklies or about the Royal Family, the Financial Times was sold out and all the paperbacks were by Jeffrey Archer.

As to the tube: The few pretty tiles that have been put up I would swap any day for escalators that worked, corridors that were not so filthy and trains that arrived. Compared with Frankfurt, Stockholm or even Paris, the London Underground is a national disgrace which shames Britain.

I would like to meet the foreigners who told Mr Redwood that Britain under Mrs Thatcher has changed for the better. Football hooligans, growing unemployment, racial tension, and the dirtiest trains and most crumbling motorways in Europe, all combined with a fast disappearing manufacturing industry (you cannot find British-made goods for sale on the Continent any more) add up to Britain's contemporary image abroad.

Even the Ruritan'an charms of royal weddings fail to mask the decay, decadence end lack of citizenship in today's Britain. It has been e rough decade for all, but no other Western democracy has become quite as poor and mean as Britain.

Denis McShane,
2 Route de Loex,
Geneva, Switzerland.

From Mrs S. Halsall.

Sir,—Mr Redwood, like many of Mrs Thatcher's epologists, seems to equate the South-East of England with Britain (the odd gesture to the likes of Newcastle and Liverpool excepted).

How wonderful it all sounds down there. And poor Paris. Funny that when I recently lived in that concrete girdle, I noticed not the rust but the superior public transport, phone system and services.

Some of us cannot afford to fly British Airways. I do, however, regularly drive to Crewe (bus service from Market Drayton non-existent) to meet trains which are 30 minutes to two hours late. But then Mrs Thatcher does not like the railways so they are not being made ready for privatisation.

Any bets on a privatised bus service from Market Drayton to Crewe?

Sheila Halsall.
84, Longslow Road,
Market Drayton,
Shropshire.

The pure beer battle comes to a head

By Peter Bruce and Lisa Wood

ONE NIGHT in May last year Professor Helmut Kleninger, an expert in the brewing of beer, committed suicide by slashing his wrists with a razor blade in a Munich police cell.

Prof. Kleninger was suspected of having supplied chemical preservatives to a number of small Bavarian breweries from a laboratory attached to Munich's prestigious Technical University.

Traces of the chemical, a disinfectant, were subsequently found in the product of more than a dozen breweries, unleashing a major scandal on an industry whose governing decree, first issued in the Middle Ages, states that beer can only contain malt, hops and water.

The discoveries could not have come at a worse time. In Luxembourg, at the European Court, German lawyers were fighting a challenge to the decree, the Reinheitsgebot. It is the country's oldest law and one of which most Germans, but especially the Bavarians, are fiercely proud.

The German argument is that Germans have to be protected against edditives permissible in other countries because of the volumes they consume—an average Bavarian drinks 235 litres of beer a year, compared with e weedy 45 litres for the French.

The court made it clear last week, however, that it backs the foreigners. A final ruling against the decree, which will open the German market to foreign beers, is expected within a few months.

Does this call for a renewed campaign by West Germany's 1,200 breweries against foreign *chemiebier?*

Many brewers are confident that on price and quality alone, they can beat the competition. But Mr Joachim Grote, director of the *Bundesverband mittelstandischer Privatbrauereien*, which speaks for more than 800 medium-sized brewers, is more cautious.

"Over a period of decades, the consumer could get used to different types of beers that contain additional materials. And if it comes to the point where somehow we accept the worsening of the product then what we have will no longer be what we once had — e product free from scandal. We've seen what happened to wine."

Although German brewers and the umbrella organisations insist that they will continue to apply the Reinheitsgebot, it is difficult to see how it could be enforced once importers are exempt from it. The threat has to be made though because German beer has one great weakness — it does not keep. "It doesn't last because it is not made to last," says Mr Grote. "We can't make anything else and neither do we want to."

But the temptation to add preservatives, as the Kleninger case showed, exists. Today less than 5 per cent of German beer is exported, some of it containing preservatives, a miserable performance when compared to other parts of industry and a direct result of the Reinheitsgebot. German beer has such a good reputation thet brewers know they could find new markets abroad if they were allowed to produce an exportable product.

Even now, protected from competition, the industry is in a constant state of change, if not turmoil. There are fewer breweries—there were 2,218 in 1960 — and they are bigger. Average annual output has risen to nearly 80 hectolitres a year from 24.3 in 1960. In Bavaria the number of breweries has halved in the same time to some 850. But German brewers are still nowhere near as large as their biggest competitors. Heineken, the Dutch group, produces as much beer as the 20 biggest German breweries together.

Foreign brewers seem, on the whole, to share their German counterparts' view. "There is not a huge market for British brands in Germany," says one UK brewer. "People are loyal to their own local drinks and beer drinking is a religion there."

Other continental brewers have avoided onslaughts on the German market. Grolsch, the Dutch brewer, which is making a push into US and British markets, says: "There is a commercial problem in Germany. Distribution is difficult and the market is so fragmented that it is difficult to fight a way in."

One way into a foreign market is by licensing agreements. This is occurring in Britain with many lagers, such as Budweiser, Fosters and Castlemaine XXXX brewed under licence. No British ales are brewed under franchise in Germany or any other continental market, mainly because consumers prefer lager-type beverages and not the darker English beer.

Wetney Mann & Truman, now the Grand Metropolitan subsidiary, made a foray into Germany in 1973, when it bought the Stern brewery. The aim was to develop nationwide brands, as the UK pettern. Stern was sold earlier this year with the ambition unfulfilled.

In some ways the traditional British pint is hard to sell in Germany for the same reasons that German beer ettracts such a loyal domestic following.

Dry seaweed, extrects of fish bladders, crushed shells of sea creetures, vitamin C and carbon dioxide are but a few of the additives thrown into varieties of English beer.

All are products, eccording to the Brewers Society, which comply with the most stringent legal standards in the world. "We cennot brew impure beer," says the society, indignant at the German claims that the health of the German beer drinkers could be harmed by foreign brews.

Additives and alternatives to malted barley are used in the industry, says the society, to make a clear product which does not spoil — in a country where beer is transported over long distances — to overcome natural variations in water and to increase the efficiency of breweries.

The additives, brewers argue, give the customer what he wants, e case in point being the "Burton" characteristic, so-called after the gypsum-rich waters of the river Burton where some of Britain's most famous beers have been brewed for generations. So some brewers, not so fortunate as to be on the benks of the Burton, edd e dollop of calcium sulphate (gypsum).

The carageenan (dried seeweed), isinglass (from swim bledders of fish) and kieselguhr (crushed shells of sea creatures) are needed, among other things, to achieve a "traditional" texture.

Perhaps the relative silence that followed last week'e remarks in favour of importers at the Europeen Court is e sign of growing confidence that the Burton touch will never make it on the Rhine. Or it could be something to do with the fact thet the Oktoberfest began in Munich this week.

Bevarians like to deal with changes one at e time and alcohol-free beer is making its first eppearance at the world's biggest annual qoaff-in. This prospect was being met e few weeks ago by Bavarians with comments that, had they been translatable, would probably have been unprintable.

FINANCIAL TIMES

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Paul Betts in Paris examines a French banking innovation

CCF breaks geographic barrier

CREDIT Commercial de France (CCF), the large French commercial bank, is again breaking tradition by deciding to do away with the hitherto sacrosanct barriers between domestic and foreign operations of most French banks. CCF has been at the forefront of a number of innovations in French banking, including the introduction of electronic banking.

"We have decided to break down the old geographic barriers and reorganise the bank in two departments, one dealing with our mainstream banking business and the other with our financial activities. Each new department will be responsible for the bank's worldwide activities in its sector," explained Mr Michel Pebereau, CCF's president and chief operating officer and main architect of the new reorganisation.

Mr Pebereau believes CCF is taking a lead in French banking with its reorganisation, which is designed to adapt the bank to the changes brought about by deregulation of financial markets and banking in France and abroad. In a further effort to position itself in a world of rapidly changing financial markets, CCF has been developing its corporate and Eurobond businesses and its electronic banking services as well as increasing its international presence.

Last year CCF took control of the London stockbroking firm Laurence Prust in what represented at the time the first major foray by a large French bank in the newly deregulated UK financial markets. More recently, CCF has forged ties with Kleinwort Benson, the UK banking group, to try to boost their respective chances of playing a major advisory role to the French Government and other state groups due to be privatised, as well as pick up some lucrative share placement business.

CCF is taking a lead in French banking with the decision to break down the division between foreign and domestic operations, according to Mr Michel Pebereau (right), CCF's president

CCF, France's fourth largest commercial bank and the biggest bank to have been taken into state ownership by the Socialists in 1982, is hoping to be an early candidate for denationalisation under the Conservative Government's privatisation programme.

Indeed it clearly hopes to be the first commercial bank to be picked for privatisation by the Government which has so far selected the Saint-Gobain glass and pipes group, the Paribas financial group and the AGF insurance company to kick off its denationalisation programme.

But Mr Pebereau, who has given the bank's top management a sense of continuity during the last five years despite the fact that CCF has had three different chairmen during the past three years, says the new reorganisation was in the pipeline well before the elections last March which returned the right to power.

"We long felt we needed to bring our French and international activities closer," explains Mr Pebereau, the younger brother of Mr Georges Pebereau, the former chairman of the nationalised Compagnie Générale d'Electricité replaced this summer by the Conservative administration.

He added that the need appeared all the more important with the increasing rapprochement of banking and financial market activities in Europe. Moreover, the reorganisation also anticipates the lifting of remaining exchange controls in France by the end of this year as pledged by the new Government.

However, the new reorganisation of the bank is not altogether unconnected with privatisation. "The new structure will clearly help CCF adapt itself to the new financial and banking environment. In so doing it will also prepare and equip it better for privatisation," remarked Mr Charles de Croisset, who has been put in charge of the new mainstream banking department. The other new department responsible for worldwide financial activities is headed by Mr René de la Serre.

Mr Pebereau explained that the integration of French and international activities was more advanced in the financial markets department. Assisted by Booz Allen, the US management consultant group, CCF has already begun the integration of its financial market activities.

With deregulation and the liberalisation of the financial markets, financial operations, especially in the trading and commission businesses have been an increasingly important factor behind the recent rise of French banking profits.

In line with other major French banks, CCF this month reported a 47 per cent rise in its first-half profits this year to FFr 145.6m ($22.3m) from FFr 103m in the same period last year. It said the increase reflected profit gains from portfolio and currency operations.

Banque Nationale de Paris (BNP), the country's biggest commercial bank, also reported a 42 per cent increase in first-half profits to FFr 1.41bn from FFr 993m in the first half of last year, while Credit Lyonnais, the country's second largest bank, reported at the beginning of the month a 48 per cent increase in first-half pre-tax profits. Société Générale, the country's third largest bank, announced, for its part, a 18.6 per cent rise in first-half pre-tax operating profits.

However, despite the bank's increasing interest in financial market operations, Mr Pebereau said that the "generalised activities" of French banks with a foot in classic banking and another in financial operations was one of their strengths. He claimed this had enabled banks to compensate for a downturn in financial operations with an upturn in mainstream banking and vice-versa.

LME in urgent need of 'radical overhaul'

By Andrew Gowers in London

METAL TRADING companies were told yesterday that the London Metal Exchange (LME) is in urgent need of a radical overhaul. The warning came in a scathingly critical report by Price Waterhouse, the accountancy and management consultancy firm.

The report commissioned by the LME authorities several months ago and presented to exchange members yesterday, says the administration of the LME is unwieldy; its authorities are out of touch with the membership; its relationships with "external bodies" like the Securities and Investments Board, the new City of London regulatory body, are bad; and there is uncertainty about the exchange's "strategic direction."

It suggests a thorough restructuring "to make the LME an administratively effective exchange which is alert to the current and future opportunities facing the market."

This would entail the abolition of the present management structure, which consists of an elected 15-man committee and an appointed nine-man board and its replacement with a more clearly defined and accountable two-tier organisation. The exchange's rule-book also needs to be rewritten and a strategic plan detailing where the LME wants to be in the 1990s produced.

Mr Michael Langdon, a partner with Price Waterhouse, also told the meeting that he personally favours consideration by the LME of a possible move to new premises being purpose-built for the London Commodity Exchange, which trades cocoa, coffee and sugar futures. However, Mr Jacques Lion, the LME chairman, said he thought this was of doubtful interest.

The report follows a series of severe blows to the LME, the world's leading metal market, and its trading members. Business on the exchange is still struggling to recover from the tin crisis earlier this year; in which LME members lost hundreds of millions of pounds and several companies had to withdraw from the trading ring.

Deep uncertainty also continues to surround the structure and trading systems of the exchange as a result of pressure for change from the Securities and Investments board.

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THE LEX COLUMN

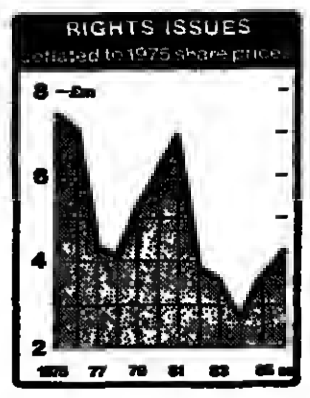
Indian summer for rights

Given the desire to make monster takeovers, which flourishes in half the boardrooms of Britain, a crop of monstrously heavy share issues should be expected. Offers of two shares for three, seven for eight – though not actually one for one – have been landing on the institutional doormat with a repeated thud. Once the respectability of taking over companies larger than the bidder had been established – not least by Argyll and Guinness in going after DCL – so had the making of share issues that doubled the capitalisation. It is only a surprise that there have not been more.

The five for six issue launched by Siebe yesterday has every latest refinement. Since the purpose is to make a strategic leap into the US – buying Robertshaw Controls for $460m – Siebe could not simply issue shares to the vendors. Yet a normal vendor placing on this scale would go beyond the limits of the acceptable, even with 100 per cent clawback. To avoid the unnecessary expense and dilution that would follow if the money were raised but the Robertshaw deal fell through, Siebe's issue is conditional. But to get the money in the right place at the right time, the shares are actually being issued to some banks. The complicated upshot is – wait for it – a conditional vendor rights, partly paid.

It may be that some of the complication could have been avoided if Siebe had not needed to act quickly after winning an auction over the weekend. Though Siebe's management cuts a pretty fair dash in the City, and it is persuasive on the merits of Robertshaw, the price is a stiff one, at almost 20 times earnings. With earnings dilution to be avoided only by some smart post-acquisition work by Siebe, the institutions will have had the whip hand when it came to financing the deal. Having decided to go ahead, Siebe and its advisers will have picked their method as much as anything with a view to getting approval from the likes of M&G.

In the last weeks before Big Bang, an obeisance to the pre-emptive right is only tactful. It has certainly avoided the embarrassing (and costly) bickering about the appropriate degree of clawback which spoiled the underwriting of the last large Dee issue. What happens when dual capacity comes into its own, is anybody's guess. Investment banks are unlikely to leave institutions in undisputed possession of the position they have been trying to shore up. Namely, lengthy underwriting periods, with commission, followed by an each-way option on the shares.



Elf Aquitaine

Elf Aquitaine is not in the first phase of the French Government's privatisation programme. But the champagne reception given by the company to UK institutions yesterday suggests that a large issue of Elf stock is imminent. The exact mixture has yet to be revealed, but a package of convertible paper and sales from the government holding of ordinary seems likely.

In the first instance, the state may reduce its holding from 67 per cent to as close to 51 per cent as market conditions will allow. There must be some doubts about the French market's ability to absorb a series of issues from the biggest company on the bourse, when it will be setting so much aside to deal with more obviously attractive privatisations such as Paribas and Saint Gobain. the availability of French capital will determine the size of any issues, since only a maximum of 20 per cent of any offering will be allotted to other markets.

Those markets are not exactly bursting with enthusiasm for the oil sector. London financial institutions in particular, post Britoil and pre British Gas, will need more of a come-on than a glass or three of Lanson and hand-outs of Roger Gallet scent. In fact, Elf can offer a share price on a multiple of barely 6.5 times 1985 earnings and only 1.3 times 1985 cash flow. The yield of 6 per cent is less of an inducement, compared with some other oil stocks, but Elf claims that its dividend policy will be more attractive as it becomes more of an international institutional stock. The management is already entrepreneurial enough to stand up to any scrutiny. But the downstream's overwhelming reliance on the highly competitive French market, and the concentration of three quarters of oil and gas production in West Africa, is bound to make Elf a specialist's investment.

Tarmac

Tarmac has been turning in profits and dividend growth ahead of the market for over five years, but its share rating has suffered from the tap of equity to finance acquisitions or the huge expansion of the UK housebuilding operation. Yesterday's interim figures show that Tarmac is on course to produce the better part of 20 per cent growth at the pre-tax level this year; but the interest charge is inching up steadily against the trend of rates and the year will see a return to cash outflow. At a price of 462p, unchanged on the day, the market values Tarmac at 13 times.

The 14 per cent improvement in pre-tax profits (to £47.5m) was a good performance in six months where it rained most of the time. Volumes and margins were ahead in the UK quarry products business, with a help from falling bitumen prices, and spectacularly so in UK housebuilding. Tarmac is expecting to complete more than 10,000 houses this year at substantially higher average prices, which should mean the best part of £50m in pre-interest profit; but high prices for building land in the south of England mean that even such a tight operation as Tarmac, with only a two-year land bank, may soon be tying up 10 times that in working capital.

Next year should be equally good in volume and profitability in housing; but it is hard to see the sense of paying top-whack for land to build on after the election. The growth foregone can, no doubt, be replaced through an excursion into housebuilding in Florida or expansion in aggregates outside the Sunbelt; but an equity issue from Tarmac would scarcely fit a pre-election sell-off of building stocks.

Agreement sealed on reducing war risks

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN STOCKHOLM

THE Stockholm security and disarmament conference ended yesterday after nearly three years of laborious negotiations with the formal adoption of the texts of the agreement reached on Sunday night on confidence-building measures to reduce the risks of war by accident.

After having "stopped the clock" since Friday night, when last-minute difficulties prevented the 35 participants from concluding their work by their long-standing deadline of September 19, the final formalities were completed at a short plenary session.

The agreement, which includes the obligatory advance notification of military exercises involving more than 13,000 troops and 300 tanks, and mandatory on-site inspection of military activities, will now be reviewed at a conference in Vienna starting at official level today.

The Vienna conference will examine the progress made in the security field and other areas since the conclusion of the final act of the conference on security and co-operation in Europe (CSCE) in Helsinki in 1975.

Mr Oleg Grinevsky, the chief Soviet delegate at the conference, said the Stockholm agreement was "a manifestation of good sense in international relations" and had allowed a new level in confidence building between states to be attained.

The agreement had also laid the foundation for a second phase of the Stockholm conference, which the Soviets hope will be expanded to deal with concrete disarmement measures, such as the reduction of conventional forces in Europe, now the subject of negotiations in Vienna.

Mr Robert Barry, the chief US negotiator, said that the agreement reached could make "an important contribution to a more stable and secure Europe and to an improved East-West relationship."

It should also provide "a positive political impulse" to other arms control negotiations. However, Mr Barry complained that the conference had not achieved nearly as much in the field of military information exchange as the US had thought desirable. The establishment of a military information base was essential for any serious efforts to reduce the level of forces in Europe, he said.

David Buchan in London writes: Soviet military observers will be on hand today to watch Nato forces, including the 15,000-strong UK Mobile Force, hit the beaches of Schleswig-Holstein, under a system now regularised by the new Stockholm agreement.

The agreement requires that military exercises of more than 13,000 men be notified and those involving more than 17,000 men must be open to inspection.

Japan accountancy firm ends KMG link

BY LIONEL BARBER IN LONDON

KMG, the international accountancy firm, has suffered its first major defection since it announced merger talks with Peat Marwick aimed at creating the world's largest accountancy group.

Japan's largest accounting firm, Tohmatsu Awoki & Sanwa, said yesterday it was altering its dual affiliation with Touche Ross International (TRI) and KMG in favour of sole representing by TRI.

The loss of Tohmatsu Awoki & Sanwa is a blow to KMG and has revived speculation of further defections as a result of the global merger plan.

Mr Bill Morrison, UK managing partner of KMG Thomson McLintock, the UK firm, said: "One would be surprised if everyone came on board in a worldwide merger. That would be remarkable. But all the indications are that the major firms will join up."

KMG and Peat Marwick announced the merger talks earlier this month, after weeks of speculation. The combination would create the largest grouping in the world, with fee income of $2.7bn and 58,000 staff in nearly 500 offices. Partners are to vote on the merger proposals before the end of the year.

Before the vote, it is difficult to judge whether discontent in either Peat or KMG is widespread. Both firms are confident of partnership support, particularly in KMG's strongest business bases in West Germany and the Netherlands.

The Japanese defection was not unexpected. Last April, KMG's affiliate, Sanwa, announced it intended to merge its practice with Tohmatsu Awoki & Co from October 1 1986 to form the country's largest accounting firm with 990 partners and staff.

Initially, the new Japanese grouping elected for joint affiliation with Touche and KMG. In the past few months, Touche has lobbied to win sole representation.

Mr John Keydel, Touche Ross International executive responsible for Japan and Korea, said: "In Japan, size counts for a lot. The biggest firm in accountancy is often seen as the best."

If the KMG-Peat Marwick merger comes off, the group will still be represented in Japan through Peat's affiliate, Minato-Ku. The last major defection from KMG came earlier this year when Thorne Riddell, the big Canadian firm, linked to Ernst & Whinney, fuelling speculation that KMG needed a strong international accounting partner.

Le Pen urges tough action on terror

By David Housego in Paris

FRANCE'S EXTREME right-wing National Front yesterday called for tougher action against terrorism at a meeting in central Paris that the police had earlier tried to ban.

More than 2,000 supporters of Mr Jean-Marie Le Pen, the party leader heard him call the Government "incompetent and powerless" in its handling of the terrorist issue. At the end of Mr Le Pen's speech in front of the Paris Opera building they dispersed quietly to avoid a confrontation with the police.

Some carried banners calling for the return of the death penalty – a demand that Mr Le Pen also repeated. He called for the "pitiless expulsion" of illegal foreigners and a breaking off of diplomatic ties with "pirate nations."

He insisted on going ahead with the demonstration despite an appeal from Mr Jacques Chirac, the Prime Minister, and an order forbidding it by the Paris police.

The Government feared that the demonstration by a party that has campaigned on racial issues could prompt a retaliation from Arab-backed terrorist groups and would add to racial strains in France.

The Front has so far been the only political party to criticise the Government's handling of the recent wave of terrorism in Paris. But yesterday the Socialist Party also struck a sharper note in calling on Mr Chirac to explain more about who was behind the terrorism.

Police announced yesterday that they had arrested an Iranian after seizing 15 kg of explosives concealed in woods to the east of Paris.

It is the second find the police have made since the new anti-terrorist measures were announced last week.

The French police still believe that the nine members of the Lebanese Armed Revolutionary Faction whose pictures have been distributed throughout France are the leading figures behind the recent bombings. All but one of the nine – including the brothers of Georges Ibrahim Abdallah – their suspected leader – have since been photographed in Lebanon where they claim to have been since before the bombings.

$ rises sharply as officials try to maintain calm

Continued from Page 1

ery could be maintained unless the US Administration changes its view that the dollar should fall further. It was a statement by Mr James Baker, the US Treasury Secretary, indicating that a further dollar depreciation was inevitable unless West Germany and Japan cut their interest rates that prompted last week's dollar slide.

"The threat of intervention may work for a few days but unless there is an agreement with the US then the dollar looks likely to continue down," the foreign exchange manager of one major Frankfurt bank said.

Sterling, meanwhile, remained under pressure against other leading currencies, with its trade-weighted index falling by 0.1 points to 69.5. Gold, which has been a major beneficiary of recent uncertainties in the financial markets, rose by $8¾ to $438¼.

The dollar also rebounded strongly in New York in busy early trading but after hitting a high for the day of DM 2.049 it eased back two pfennigs to DM 2.029 in late trading, slightly below the London close. The pound slipped further against the dollar to $1.4477.

Partial recovery of the US currency from its steep fall last week helped spur an upturn in the bond market although trading was light. The price of the benchmark longbond rose 15/32 of a point to 93¾ to yield 7.79 per cent.

The more positive mood spread to the stock markets where the Dow Jones industrial average of 30 blue chip stocks closed 30.80 points up on the day at 1,793.45. But the advance was narrowly led by about 10 blue chips many of which had underperformed the market last week.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	25	77	Malta	—	—	—	Rhodes	F	26	79
Algiers	S	29	84	Edinburgh	C	15	59	Manchester	D	13	55	Rio de J'o	C	28	82
Amsterdam	C	15	59	Faro	F	30	86	Manila	C	31	88	Rome	S	25	77
Athens	C	22	72	Florence	S	26	79	Melbourne	C	12	54	Salzburg	S	20	68
Bahrain	S	34	93	Frankfurt	S	17	63	Mexico City	—	—	—	San Francisco	F	19	66
Bangkok	S	32	90	Funchal	S	27	81	Miami	C	29	84	Seoul	S	24	75
Barcelona	S	21	70	Geneva	S	19	66	Milan	S	24	75	Singapore	S	31	88
Beirut	—	—	—	Gibraltar	F	23	73	Montreal	F	17	63	Stockholm	C	13	55
Belfast	C	15	59	Glasgow	D	13	55	Moscow	R	12	54	Strasbourg	S	20	68
Belgrade	S	23	73	Guernsey	R	13	55	Munich	S	19	66	Sydney	F	17	63
Berlin	C	18	81	Helsinki	S	8	46	Nairobi	S	27	81	Taipei	C	27	81
Biarritz	S	23	73	H. Kong	S	29	84	Naples	S	29	84	Tangier	S	30	86
Bombay	F	29	84	Innsbruck	S	20	68	Nassau	C	32	90	Tel Aviv	S	32	90
Bordeaux	S	23	73	Inverness	R	16	61	New Delhi	S	38	100	Tenerife	S	28	82
Brussels	F	12	54	Islamabad	S	36	97	New York	S	26	79	Tokyo	S	30	86
Budapest	S	19	66	Istanbul	C	25	77	Nice	S	25	77	Toronto	C	17	63
B. Aires	C	19	66	Jakarta	R	30	86	Nicosia	S	35	95	Tunis	F	27	81
Cairo	S	29	84	Jersey	—	—	—	Oporto	S	22	72	Valencia	S	29	84
Cape Town	F	13	91	Jo'burg	S	25	77	Oslo	F	14	57	Venice	S	23	73
Caracas	—	—	—	Lima	C	18	64	Paris	C	11	52	Vienna	S	21	70
Casablanca	F	26	79	Lisbon	C	21	70	Peking	S	29	84	Warsaw	C	13	55
Chicago	C	28	82	London	S	18	64	Prague	S	17	63	Washington	C	19	66
Cologne	S	18	64	Los Angeles	C	26	79	Reykjavik	C	6	43	Zurich	C	14	57
Copenhagen	F	14	57	Luxembourg	S	15	59								
Corfu	S	27	81	Madrid	C	25	77								
Dallas	C	23	73	Majorca	S	28	82								
Dublin	C	18	61	Malaga	S	28	82								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Reagan optimistic on arms deal

Continued from Page 1

Daniloff case to a summit meeting, saying only that "a pall has been cast over our relations with the Soviet Union. I refer here to a particularly disturbing example of Soviet transgressions against human rights."

He described Mr Daniloff as a "hostage"

Mr Reagan's optimistic assessment of the prospects for an arms control agreement and by implication a summit, contrasts with the political pressures he is facing in Washington.

It is generally recognised that until the Soviet Union agrees to a resolution of the Daniloff case the White House will find it difficult if not impossible to agree to a meeting between Mr Reagan and Mr Gorbachev. The affair is thus forcing the White House on to the defensive in the propaganda battle with the Soviet Union.

Mr Reagan's remarks appear to be a calculated attempt to minimise this disadvantage and to counter Soviet charges that the US is using the arrest of Mr Daniloff as a pretext for blocking progress on arms control.

On Washington's proposals for an agreement on SDI, he said that the US proposed that both sides limit themselves until 1991 to research, development and testing of weapons for strategic defences permitted under the anti-ballistic missile treaty. The US is continuing to insist on a broader interpretation of what is permitted under this treaty.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday September 23 1986

National Distillers plans shift into chemicals

BY ANATOLE KALETSKY IN NEW YORK

NATIONAL Distillers, the large US manufacturer of organic chemicals and alcoholic beverages, is putting its wines and spirits business up for sale and buying the chemicals division of Enron Corporation, the Houston-based natural gas pipeline company, in a transaction worth $609m.

National Distillers is at present among the top six spirits producers in the US, with brands including Windsor Supreme whisky, Old Grand-Dad bourbon, Gilbeys gin and vodka and De Kuyper schnapps. Although its spirits business, which accounted for 30 per cent of the group's $2.3bn turnover in 1985 has performed well in recent years, National Distillers has been focused increasingly on petrochemical and energy marketing operations.

Analysts had been speculating for some time that the company might be tempted to dispose of its interests in spirits after the high price commanded by Hiram Walker's brand names in its recent deal with Allied-Lyons, the UK foods and drinks group. Based on the earnings multiples in the Hiram Walker deal, National Distillers' spirits operations could fetch $450m to $500m, according to a recent study by Mabon Nugent, a US securities house.

Meanwhile, the acquisition of Enron Chemical, which produces petrochemicals and ethylene feedstocks, will strengthen National's position as the second largest producer of polyethylene, vinyl acetate and ethyl alcohol in the US.

For Enron, which was formed in 1985 by the merger of Houston Natural Gas and InterNorth, the proceeds from the deal may be used in part to repay some of the company's heavy borrowings at a time when the core gas distribution gas operations are under severe pressure. National is paying Enron $575m in cash and assuming debts of $34m. Enron's total long-term debts at the end of 1985 were $2.2bn.

HBO & Co rejects $326m bid

BY WILLIAM HALL IN NEW YORK

HBO & CO., the small Atlanta-based computer company which specialises in supplying hospitals, has rejected a $326m bid from a group of investors from the state of Virginia.

The company's response followed an approach by the Andover group to take the company private in a $15 a share deal in which the company's management would play an active role. HBO, which lost $5.5m on sales of $78.8m in the first half of 1986, said yesterday that it had "no interest in engaging in any discussions with members of the Andover partnership with respect to the matters contained in the letter."

HBO said the Andover's proposed financial transactions contemplated at least $300m in new debt but did not constitute an offer to purchase the company. HBO shares rose by ½ to $12½ in early trading yesterday.

Andover already owns 5.1 per cent and disclosed its interest in acquiring HBO in a filing with the US Securities and Exchange Commission. Andover said in its filing that the price could be increased under certain conditions, but added that it believed the proposal would "provide fair value to HBO's public shareholders."

Write-offs at French steel groups

BY DAVID HOUSEGO IN PARIS

USINOR AND Sacilor, the French state-owned steel groups are to write off accumulated losses under a capital restructuring plan financed by the French Government.

The aim of the operation, required by French law and approved by the EEC Commission, will be to leave the two groups with capital and reserves sufficient to cover anticipated losses and restructuring costs up to the end of this year.

The plans announced by the two groups provide for converting low interest loans advanced by the state into equity, writing off the capital, issuing new shares that the state has guaranteed to buy and writing down the capital a second time.

The initial write-off will involve losses for private shareholders who own 20 per cent of Usinor's stock and 9 per cent of Sacilor's.

The capital restructuring will, however, still leave Usinor with consolidated financial charges this year of about FFr 1.5bn ($230m – equivalent to 4.6 per cent of turnover) and Sacilor with interest changes of FFr 2.2bn

General Mills growth continues

By Our Financial Staff

GENERAL MILLS, the US packaged foods, restaurants and speciality retailing group, has extended its recent strong earnings performance by lifting first-quarter profits from $48.9m or $1.10 a share to $59.1m or $1.32, and is lifting its quarterly dividend from 58 cents a share to 64 cents.

On a continuing basis, profits rose from $48.1m or $1.08 a share to $60.3m or $1.34, while sales rose from $1.05bn to $1.19bn. For its last fiscal year ended May 25, the company reported net profits of $183.5m or $4.11 a share.

Mr Bruce Atwater, chairman, told the annual meeting in Minneapolis yesterday that each of the company's three industry areas recorded strong gains in the first quarter, with operating profits up 22 per cent to $133m.

In consumer foods, sales and operating profits rose 10 and 20 per cent, respectively, to $786.5m and $99.2m. Important contributions came from volume gains in Betty Crocker mixes and Big G cereals.

Restaurants reported increases in sales and operating profits of 17 per cent and 13 per cent, respectively, paced by strong gains at Red Lobster Inns. The operating profits gain to $33.9m was achieved despite heavy start-up costs associated with opening 28 of 100 new restaurants planned this year

Speciality retailing recorded sales gains of 31 per cent to $84m and a $3.1m year-to-year improvement in operating profits. Excellent gains were reported by both Talbots and Eddie Cauer. Talbots opened six new retail stores in the first quarter out of more than 20 units planned for the year.

Atwater told shareholders that the company planned to invest $1.58bn in its core established and growth businesses over the next three years.

David Goodhart in London looks at a Hong Kong group's growing appetite

Hutchison may lift Pearson stake

HUTCHISON Whampoa, the Hong Kong trading company which at the weekend revealed a 4.99 per cent stake in Pearson, the UK industrial, banking and publishing group, yesterday said it wanted to discuss "ways to increase this investment substantially which would lead to the creation of commercial links between the two groups."

In Hutchison's first official statement since news leaked out of its private talks with Pearson, publisher of the Financial Times, the company also stated: "At this time it is not intended that the Hutchison Group will make a takeover bid for control of Pearson."

It continued: "However, this current holding represents an attractive investment for the Hutchison Group and places it in a flexible position which will be kept under active review."

Expanding on Hutchison's stated intention to increase its stake in the Pearson holding company, Mr Philip Tose, of Hutchison's merchant bank Citicorp, said it would probably be looking for a percentage holding "in the twenties". Under UK Take-over Panel rules a stake over 29.9 per cent has to trigger a full bid.

Hutchison said it currently preferred the use of cash for making major acquisitions and ruled out an "equity swap" by emphasising that

Mr Li Kashing, chairman of Hutchison Whampoa, the Hong Kong trading company and Lord Blakenham, chairman of Pearson, the UK industrial, banking and publishing group.

"there is no intention thet the Hutchison Group will issue shares to Pearson."

However, both Hutchison and Pearson have said that following the talks nn September 12 initiated by Hutchison, between Mr Simon Murray, managing director of Hutchison, and Lord Blakenham, chairman of Pearson, discussions remained at a friendly but preliminary stage.

Mr Murray said yesterday: "It is fairly broad brush at the moment until we get a response from Pearson." He thought another meeting would be arranged "sooner rather than later".

He added that Pearson was "well-run, broadly based, and undervalued," and there was considerable common ground between the two groups. He pointed to Pearson's desire to expand in Asia and Hutchison's to grow in the UK or US and the shared interest in magazine and newspaper publishing and film and television.

Mr Tose also repeated that Hutchison was interested in Lazards merchant bank (part-owned by Pearson), Pearson's property interests and its oil division. "Almost wherever you look there is a possibility nf linkage," be said.

Mr Murray said the form nf linkage could take several forms: acquiring individual Pearson businesses for cash, swapping businesses or holdings, or developing joint ventures on the basis of a sizeable minority stake in Pearson.

A contested bid for Pearson would face the obstacle of a Cowdray family holding of about 20 per cent. Coincidentally there is a family link between Hutchison and Pearson. Lord Derwent, Hutchison's European managing director, is related to Mr Alan Hare, former chairman of the Financial Times, who is Lord Blakenham's father-in-law. Pearson rose 12p yesterday to close at 522p.

Background, Page 29

Kimberly sues Procter over diaper 'monopoly'

BY OUR NEW YORK STAFF

THE BATTLE for control of the $2.5bn a year US disposable diaper market intensified yesterday when Kimberly-Clark, the number two supplier of US baby bottomware, accused its arch rival, Procter & Gamble of trying to monopolise the market.

The Dallas-based Kimberly-Clark announced that it was suing Procter & Gamble for "unlawfully monopolising the market for disposable diapers and other violations of US antitrust laws." Its antitrust lawsuit follows Procter & Gamble's (P & G) efforts to obtain an injunction that would stop Kimberly-Clark (K-C) from manufacturing and selling disposable diapers with the elastic waistbands that it currently uses.

P & G has maintained that K-C's elastic waistband nn its Huggies disposable diapers infringes the patent P & G acquired from Raychem. K-C's Huggies brand has about 28.5 per cent of the market and is the main competitor for P & G, whose two main versions of diapers – Luvs and Pampers – together have over 50 per cent nf the US market.

While the dispute might sound rather childish, both companies have a lot to lose in their legal battles surrounding the US diaper market. P & G, one of the most glamorous consumer product stocks nn Wall Street, has been under a cloud over the last couple of years because many of its products are facing extremely tough competition. The growth of its diaper business has accounted for much of the company's earnings gains since 1982, according to analysts.

Meanwhile, diapers are Kimberly-Clark's best selling consumer product, accounting for over a quarter of its sales.

K-C contends that the acquisition nf rights under the Raychem patent in 1983 was unlawful because it was intended to exclude competition at a time when P & G already had a dominant share of the market.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Andrew Fisher looks at recent changes in the Frankfurt bond market

German houses hold their own

"THE GERMANS prefer to seek the safe ground rather than go for gimmickry." So commented a Frankfurt banker candidly about the rash of innovations on the capital market since the Bundesbank last year swept away the hindrance to foreign banks lead-managing D-Mark Eurobond issues.

Not that German banks have shied away from innovation. But it has generally been left to Swiss and US banks to make the running in such exotica, for Germany at least, as floating rate notes, zero-coupon bonds, and swap-related issues.

Since the Bundesbank, with the strong encouragement of Mr Karl Otto Poehl, its president, decided to open up the market, the number of foreign banks with ambitions to establish themselves more fully in Frankfurt has grown. The Swiss are bere in force, with CSFB-Effectenbank, part of Credit Suisse, far and eway the most prominent foreign lead manager of D-Mark issues.

The Americans have also been pushing deeper into the market. Morgan Guaranty, Citibank, and Chase have all led issues, while Salomon Brothers is preparing to open up in Frankfurt, as are other US investment houses like Morgan Stanley.

So far, only Morgan Guaranty and Chase beve led issues for borrowers other than their own parent companies. Last year, Morgan led a DM 265m loan for R. J. Reynolds — the maturity was 15 years, then unprecedentedly long for the D-Mark foreign sector — while Chase recently led a DM 250m issue for Cathay Pacific, also at 15 years, to meet the financing needs of the airline.

The Cathey issue was not a success. Some sceptical spirits within the foreign banking community blame the big German banks for declining to participate. But they, for their part, argue that the length of tho loan mado it relatively unattractive for them and their clients.

Although competition for mandates is fierce, the German banks and the foreign newcomers are learning to live with oach other. "The Swiss houses have achieved a lot," said another German banker. But it is clear that the liberalising measures of the Bundesbank have made lifa rather less comfortable for Germany's banks, beaded by Deutsche, Dresdner and Commerzbank.

With the Bundesbank having followed up its move of last year by recently allowing foreign banks to take part in the consortia which issuo Government bonds and those for public bodies like the Post Office and the Railways, there is little of major significance left to be done.

Even so, foreign banks are irked by certain remaining restrictions, some within the power of the Bundesbank to remove, others of a political nature. And there is the big question of when Japanese banks will be allowed to lead new D-Mark issues. That, too, is a question to which the answer will be to a large extent political.

Most bankers expect the Government to eliminate the stock market stamp duty on securities transactions levied on investors. But the sharp rise in bond and share business in the last few years has sharply increased revenues from the duty, or Boersenumsatzsteuer.

Thus, there could be some political opposition to tho removal of a tax which now yields nearly DM 1bn a year and which could be seen as a lightening of the financial burden for capitalists. While it is hardly likely to be a voting issue, no action is expected until after next January's general election which the present conservative government is expected to win.

Doing away with the tax would certainly help the secondary market. So, too, would a decision by the Bundesbank to change the system under which public loans are offered. At present, banks in the consortium—19 foreign banks now have a 20 per cent share of new Government and Government-related loans—can forfeit part of their commission if the investors with whom they place the loans sell them on and they find their way back to the Bundesbank.

Mr Karl Otto Poehl, president of the Bundesbank

Through control numbers, the federal bank can establish which bank had the bonds in the first place. If it has to buy them back within a year at less than the issue price, the consortium member is penalised.

There seems to be no strong feeling at the Bundesbank that this procedure should be altered. But bond managers at some foreign banks find the system anachronistic, especially since most of the loans are sold abroad anyway as investors are keen to move into the ever-strengthening German currency.

Another source of discontent at some banks, and again an area in which the Bundesbank seems unlikely to make any changes, is the minimum reserve quotas. In May this year, the requirements governing tho sums that banks have to deposit interest-free with the Bundesbank were relaxed. But the issue of certificates of deposits (CDs) has been inhibited by the effect of the quotas on short-term money instruments.

Still, niggling apart, the influx of foreign banks is not going to be lessened for some time. Already since tha opening up of the market to foreign binks last year, they have led around 20 per cent of the volume of new D-Mark loans.

As for tho Japanese, active in tho market but not allowed to take the leadership in new issues, they could become a major competitivo force next year. They were left out of last year's liberalisation move, though they are in the Government loa nissuing consortium, because foreign banks in Japan are restricted from operating in the securities business.

But talks in Tokyo next month between German and Japanese authorities and banks could pava tho way for a lifting of the Bundesbank's barriar. When that happens, tha Frankfurt sceno will receivo a further nudge, as Japanese borrowers use their own country'o banks to handle their loans.

Thus the position of the big German banks will inevitably be eroded further. Yet few foreign bankers here ara under-estimating the muscle and resilience of local institutions. While the German mentality may be against the sort of rapid-fire trading and hasty decision-making required oo tho bond markets, tho Frankfurt banks have a broad and well protected pedestal.

Air India chairman

A REPORT in yesterday's Financial Times on new executive appointments at India's two nationalised airline groups inadvertently stated that Mr Rahul Bajej bed been appointed chairman of Air India.

The new chairman of Air India will be Mr Ratan Tata, while Mr Bajaj has been appointed chairman of Indian Airlines. We apologise for the error.

Montreal SE seeks UK companies

BY ROBERT GIBBENS IN MONTREAL

MR ANDRE SAUMIER, the president of the Montreal Stock Exchange, is visiting London this week to encourage British-based companies to ake an interest in the exchange's new international division.

The exchange opened the division a year ago, listing Lyonnaise des Eaux, the Paris-based water treatment and chemicals group which does around C$400m of business in North America a year. Next came Latvonia, a Geneva-based investment management group.

The exchange offers listings on its international division, with acceptance of home-country disclosure rules, to European-based companies wanting to be better known in North America and seeking new sources of finance.

Initial listing costs C$20,000 and C$8,500 a year thereafter. Trading is done through a book-based computerised system without physical exchange of stock certificates. The exchange is connected olectronically with other North American trading systems, and offers an alternative to the cumbersome American depositary receipts.

Sterling CP for BTR and Sears Holdings

By Peter Montagnon, Euromarkets Correspondent

BTR, the British industrial holding company, and Sears Holdings, the British retail group, each announced £100m programmes in the sterling commercial paper market yesterday in a fresh flurry of activity after the summer lull.

BTR said it will use the proceeds of its borrowing for general corporate purposes, while Sears is adding to its range of opportunities for refinancing existing debt.

Announcement of the programmes is a further boost to the slowly growing sterling commercial paper market. Latest Bank of England figures show that the volume of paper outstanding rose by £100m to £280m in the five weeks to August 20.

The Bank estimated that only some £50m of the outstanding paper was held by the banking sector. This suggests a fairly steady demand from non-bank investors for sterling commercial paper.

As a result, the market is now looking for more borrowers to aid its further development. Yesterday's announcements are believed to represent only the first of a large number of deals in the pipeline.

Barclays, County NatWest Capital Markets and Samuel Montagu will be dealers in the BTR issue. Morgan Grenfell is arranging the Sears programme for which Bankers Trust, Credit Suisse First Boston, Lloyds Merchant Bank and Samuel Montagu will also be dealers.

Separately, County Bank said it has also been appointed sole dealer on a £50m programme for Property Security Investment Trust, a holding company which deals in property investments.

Tightest terms yet on deal for Hungary

By Our Euromarkets Correspondent

HUNGARY has shaved the conditions on its Euromarket borrowings even further with the launch of a $100m, eight-year credit package through four Japanese banks. The deal carries the lowest margins Hungary has yet achieved.

It is divided into two tranches of $50m apiece. One is a term loan carrying interest at a margin of ⅛ per cent over the London interbank offered rate for Eurodollar deposits (Libor) for the first four years and rising to ¼ per cent thereafter. Repayments begin after a grace period of five years.

The other is a revolving credit carrying a commitment fee of ⅛ per cent. For tha first four years drawings will carry interest at a margin of 5 basis points. The margin then rises to 12.5 basis points. In addition Hungary will pay a utilisation fee of up to 15 basis points depending on how much is drawn.

Tha four banks leading the transaction are Dai-Ichi Kangyo Fuji, Mitsubishi and Sumitomo Trust Though this gives the deal very much a Japanese flavour, it is not intended ...to ...exclude ...non-Japanese institutions from the syndicate.

Tha participation of other banks will depend on the level of demand, which is difficult to predict as Hungary plumbs new lows on margins. Its last major credit, earlier this year, carried interest at ⅛ per cent over Libor for two years with the margin rising to ¼ per cent for the remaining six.

STC plans £200m credit facility

By Our Euromarkets Correspondent

STC, the UK telecommunications and computer concern, is expected to launch soon a £200m credit facility in the international capital markets under the lead of Barclays Bank.

The deal, for which terms are not being revealed at present, is the latest in a long string of credit facilities for British companies which have featured actively in the Euro-credit market in recent weeks.

Separately, National Westminster announced yesterday that it had won a mandate from Cunard for a £46m, 8½-year credit to finance the refitting of the liner QE2.

Bonn to sell 45% of IVG

THE WEST GERMAN Government's plans to privatise Industrieverwaltungsgesellschaft (IVG) will involve the offer of 45 per ceot of the property and transport group from October 6. The government will keep majority ownership of IVG.

AP-DJ

Issue dearth continues in Eurodollar sector

BY ALEXANDER NICOLL

THE VOLATILITY of the foreign exchange markets, following the weekend meeting of European finance ministers, meant another quiet day for the primary Eurobond market yesterday.

Although European attempts to restore stability to the currency markets could make the Eurobond market a friendlier place eventually, yesterday's sharp movements in currencies persuaded most borrowers and investors to stay away. Dollar Eurobond prices were mixed in the secondary market.

With US Treasury auctions due this week, the atmosphere in the Eurobond market remains extremely gloomy on inflationary and currency fears, with interest from retail investors almost completely absent. Consequently, there is a continuing dearth of straightforward naw issues in the Eurodollar sector. Two thot did issue dollar bonds yesterday were British.

Investors in Industry, the business financing concern, solved the problem of market reception — as have several other issuers recently — by having a $96m deal essentially pre-placed before launch. Tha proceeds were believed to be being swapped into sterling.

The five-year deal carries a coupon of 7⅝ per cent and is priced at 101¼, giving a 43 basis point spread over US Treasuries at launch, net of fees. Warburg Securities led the deal.

The other UK issue in dollars was for Fisons, the drugs and horticulture group, which raised $50m through a convertible issue to finance the purchase of Applied Research Laboratories of the US.

INTERNATIONAL BONDS

Led by Morgan Stanley International, the issue is for 15 years with an indicated coupon of 5¾ per cent, a conversion premium of nine to 12 par cent and a price of par. It was being quoted above par.

Dalwa Europe led a $30m high-coupon deal for Orient Leasing, the Japanese leasing concern, with a seven-year maturity, a 10 per cent coupon and o price of 112¼ per cent.

A British flavour was also to be found in tho D-Mark market where, undeterred by the currency's fall against the dollar, a subsidiary of Midland Bank made a DM 200m issuo to replace an outstanding issue.

Led by another subsidiary, Trinkaus und Burkhardt, the Midland deal was for 10 years, with a 6¼ per cent coupon and par pricing. The market viewed the terms as fair, though the timing of the issue mada for a fairly wide range of quotes in the market. It was, however, quoted at discounts to issue price less than the total fees.

D-Mark bonds were marked down ¼ to ½ point, mainly on New York's weakness rather than on currency considerations.

In Switzerland, Carter Holt Harvey, a New Zealand diversified industrial coocern, mado a bonds-with-warrants issuo with a maximum amount of SFr 200m and maturity of 15 years. Led by Soditic, it has an indicated coupon of 5¼ to 5½ per cent and a conversion premium of 15 to 20 per cent.

Ford Credit Canada, with the guarantee of tho US parent, made o SFr 116m seven-year privato placement, priced at par with o 4¾ per cent coupon and led by Credit Suisse. Swiss bonds were slightly firmer.

Foreign bond trading doubles in Tokyo

TRADING IN foreign currency-denominated bonds in Tokyo has more than doubled in the past year to an estimated daily volume of $4bn to $5bn, Kyodo reports from Tokyo.

Among the most popular foreign bonds traded are dollar-denominated issues such as 30-year US Government bonds which amount to about one-third of long-term US Government bonds traded in New York.

Japanese institotional investors, such as insurance companies, pension funds and mutual funds, are attracted to US issues which carry higher yields than domestic investment instruments. The average yield on US Government bonds is about 2.5 points higher

One major financial institution said the yen's sharp appreciation against the dollar since last September has not discouraged Japanese investment in dollar-denominated bonds. The Tokyo market is increasing its importance for foreign bond transactions as a major centre for the 24-hour trading linking New York to Tokyo.

Behind the bullish foreign bond trading are a series of measures the Japanese Ministry of Finance has taken recently to doregulate purchases of such bonds

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on September 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9⅞ 16	200	102⅝	102⅞	−0⅛	+0⅛	9.47
Atlan. Richfield 10⅛ 00	200	105¾	106⅛	+0⅛	½	9.43
Australia Com. 11 95	100	112⅝	113⅛	+0⅛	−0⅛	8.76
Australia Com. 11¼ 00	200	112⅛	112⅝	−0⅛	−0⅛	9.56
BP Capital 9⅛ 94	100	101	101½	½	−1¼	8.89
BP Capital 11⅛ 92	150	107⅛	108⅛	½	−1⅞	9.34
Campbell Soup 10⅛ 95	100	110⅛	110⅝	−0⅛	−0⅛	8.75
Canada 9 96	1000	104⅞	104⅝	−0⅛	−1	8.28
Canada 11½ 90	500	111½	112	0	−0⅛	7.52
Canadian Pac. 10⅛ 95	100	108⅛	108⅝	−0⅛	−0⅛	8.99
CEPME 10⅛ 91	100	107⅛	108⅛	−0⅛	0	8.16
Credit Lyonnais 9 91	100	104	104½	½	−0⅛	7.81
Credit National 9⅛ 93	150	104⅛	104⅝	+0⅛	−0⅛	8.15
Denmark Kingdom 7 89	500	98⅝	99⅛	0	−0⅛	7.34
Denmark Kingdom 7⅛ 93	250	97⅛	97⅝	−0⅛	−0⅛	8.24
Denmark Kingdom 8⅛ 98	[illegible]	102⅛	102⅝	−0⅛	[illegible]	[illegible]
Deutsche Bank Fin. 8 98	110	97⅛	98⅛	−0⅛	−1⅞	8.63
EDC 8⅛ 92	100	102⅝	102⅞	+0⅛	+0⅛	7.65
EEC 8⅛ 96	100	106⅛	106⅝	−0⅛	−0⅛	8.18
EEC 8⅛ 91	150	103⅛	104⅛	0	−0⅛	7.51
EEC 8⅛ 91	300	103⅛	103⅝	0	+0⅛	7.46
EIB 10⅛ 94	100	109⅝	109⅞	½	−0½	8.59
EIB 12 95	200	122⅛	122⅝	−0⅛	−0⅛	8.24
Eurofima 7⅛ 91	100	99⅝	100⅛	−0⅛	−0⅛	7.71
Export Dev. Cpn. 10 90	100	107⅛	108⅛	+0⅛	+0⅛	7.42
Finland 7⅛ 93	200	96⅛	97⅛	−0⅛	−0⅛	8.18
Ford Motor Cred. 10½ 91	150	107⅛	108⅛	−0⅛	+0⅛	8.53
Ford Motor Cred. 11⅛ 90	100	109⅛	110⅛	+0⅛	½	7.87
Gen. Elec. Cred. 10⅛ 00	100	106⅛	106⅝	+0⅛	0	9.36
GMAC 10⅛ 89	200	106⅛	107⅛	+0⅛	+0⅛	7.32
GMAC 8½ 95	100	99½	100	−0⅛	0	8.54
IADB 9⅞ 95	100	108⅛	109	−0⅛	−0⅛	8.46
Liberty Mutual 8⅛ 96	150	98⅛	99⅛	−0⅛	−0⅛	8.65
LTCB of Japan 8 92	100	100⅛	102⅛	−0⅛	0	7.77
Merrill Lynch 8⅛ 91	100	†102⅛	103⅛	+0⅛	+0⅛	8.04
Mercedes-Benz Cred. 7⅛ 93	100	97⅛	97⅝	0	−1	7.96
New Zealand 8⅛ 93	150	98⅛	99⅛	−0⅛	−0⅛	8.49
Norway Kingdom 7⅛ 91	100	98⅛	98⅝	−0⅛	½	7.65
Pepsico Inc. 7⅛ 95	100	94⅛	95⅛	½	−0⅛	8.43
Proct. & Gamb. W 9⅞ 92	100	105⅛	106⅛	½	−0⅛	8.50
Qantas Airways 10⅛ 95	100	109⅛	109⅝	−0⅛	−0⅛	8.79
Queensland Govt. 10⅛ 95	100	100	100⅝	+0⅛	+0⅛	9.81
Ralston Purina 11⅛ 95	150	†113	113⅛	−0⅛	−0⅛	9.41
Saab Scania 9½ 91	125	104½	105	−0⅛	+0⅛	8.15
Saskatchewan 10⅛ 92	100	109	109⅛	−0⅛	−0⅛	8.56
Scandinavian Air. 10⅛ 95	150	107⅛	107⅝	−0⅛	−0⅛	8.90
State Bk. S. Aust. 9⅛ 95	200	†106⅛	106⅝	½	+3⅛	7.92
Statoil 10 90	170	107⅛	107⅝	−0⅛	−0⅛	7.59
S. Wales Tsy. 11⅛ 90	150	110⅛	111⅛	+0⅛	½	8.08
Swed. Exp. Cred. 10 92	100	109	109⅛	−0⅛	−0⅛	7.90
Sweden 8⅛ 96	200	102⅛	102⅝	+0⅛	−0⅛	8.36
Sweden 10⅛ 92	200	110⅛	110⅝	−0⅛	−1	8.04
Sweden Kingdom 10⅛ 90	100	107⅛	108⅛	+0⅛	−0⅛	7.57
Sweden 11⅛ 94	100	115⅛	115⅝	−0⅛	+0⅛	8.97
Toyota Motor Cred. 8 89	100	†102	102½	0	+0⅛	7.85
Victorian Rep. 11⅛ 92	100	113	113⅛	½	+0⅛	8.56
World Bank 8½ 16	150	91⅛	91⅝	−0⅛	−2⅛	9.33
World Bank 9⅛ 16	300	98⅛	99	−3⅛	−1⅛	9.37
World Bank 9⅛ 16	100	102⅛	102⅝	−0½	−0⅛	9.37
World Bank 10⅛ 95	300	112	112⅛	−0⅛	−0⅛	8.32
Yasuda Trust Fin. 8½ 93	100	†101	101½	−0⅛	+1½	8.24

Average price changes on day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	107⅛	108⅛	−0⅛	−1½	6.65
Austrian Elec. Co. 6⅛ 95	150	99⅛	100⅛	−0⅛	−0⅛	6.48
BMW 5⅛ 96	200	91⅛	92⅛	−0⅛	−0⅛	6.38
Daimler Benz Int. 5⅛ 01	500	94⅛	94⅝	−0⅛	½	6.33
Dow Chemical 5⅛ 96	100	92⅛	94⅛	−0⅛	−0⅛	6.48
Dow Chemical 6⅛ 95	300	103½	104	0	+0⅛	6.20
EIB 5½ 90	150	99⅛	99⅝	−0⅛	−1	6.30
EIB 6⅛ 93	300	103⅛	103⅝	−0⅛	−0½	6.37
EIB 7⅛ 94	100	104⅛	105⅛	−0⅛	½	6.48
Eksport Corpn. 6⅛ 95	125	101½	102	−0⅛	½	6.49
Eurofima 6⅛ 96	100	99⅛	99⅝	−0⅛	−0⅛	6.55
Ex.-Im. Bk. Korea 7⅛ 90	100	105⅛	106⅛	−0⅛	+0⅛	5.90
Finland Republic 7 92	200	103⅛	103⅝	0	+0⅛	6.37
Hoesch Intl. Fin. 7 93	100	102⅛	103⅛	−0⅛	−0⅛	6.53
Hydro Quebec 5½ 96	125	93	93½	−0½	−0⅛	6.46
Hydro Quebec 6 16	150	93⅛	93⅝	−0⅛	−0⅛	6.51
IBJ 5⅛ 96	200	93⅛	93⅝	−0⅛	−0⅛	6.53
Ireland 8⅛ 92	150	107⅛	108⅛	−0⅛	−0⅛	6.41
VS Elsarn 6⅛ 95	125	99⅛	100⅛	−0⅛	−0⅛	6.72
Korea Dev. Bank 6⅛ 93	100	98	98½	−0⅛	+0½	6.95
Mitsubishi M. 3⅛ 89 WW	100	109	109⅛	−0⅛	−0⅛	0.36
Mitsubishi M. 3⅛ 89 XW	100	93⅛	94⅛	+0⅛	+0⅛	5.37
Renfe 7⅛ 95	100	†106	106½	−0⅛	−0⅛	6.76
Soc. Cent. Nuclear 7⅛ 95	100	103⅛	103⅝	−0½	−0⅛	6.85
Soc. Cent. Nuclear 8 91	100	103½	104	−0⅛	−0⅛	7.04
Stevens 5½ 96	100	90	92½	−0⅛	0	6.61
World Bank 7 95	100	103⅛	104⅛	−0⅛	−0⅛	6.42
Yorkshire Intl. 6⅛ 01	100	95⅛	95⅝	−0⅛	−0⅛	6.79

Average price changes on day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Corpn. 5⅛ 96	150	*†101⅛	101⅝	0	+0⅛	5.16
Brit. Land Comp. 6½ 97	75	*†100⅛	100⅝	0	+1½	5.82
Chrysler 5⅛ 96	160	*†101⅛	101⅝	0	0	5.49
Council of Europe 6 92	120	*†105⅛	105⅝	0	0	5.01
Creditanstalt 5½ 94	200	*†101⅛	101⅝	0	−0½	5.21
Deutsche Bk. Fin. 5⅛ 95	150	*†104½	104⅝	0	−0½	4.70
Cen. Occidentale 4½ 94	80	*†110⅛	110⅝	0	−0½	2.88
Glendale F. S. & L. 5½ 95	100	*†103⅛	103⅝	½	½	5.27
Hyatt 5⅛ 98	120	*†98⅛	98⅝	0	0	5.28
Ind. Fund Fin. 5⅛ 94	40	*†100⅛	100⅝	0	−0⅛	5.49
N. Zealand Steel 5⅛ 96	70	*†102⅛	102⅝	0	+5	5.41
Oberos. Kftwk. 3⅛ 95	100	*†103⅛	103⅝	0	+0½	4.92
Olivetti Intl. 5½ 93	100	*†104⅛	104⅝	0	+1	4.86
Pepsico 5⅛ 95	150	*†104⅛	104⅝	0	−1½	4.57
Phibro-Salomon 5⅛ 97	110	*†102⅛	102⅝	½	5	4.82
Ralston Purina 5⅛ 94	125	*†103⅛	103⅝	0	0	4.82
Settsu Euro. 0 01	100	*†47⅛	47⅝	0	½	5.30
Tokyo Elec. Power 5½ 93	120	*†104⅛	104⅝	0	−0½	4.72
Tokyo Metropolis 5¼ 94	80	*†105⅛	105⅝	0	−1	4.71
World Bank 5⅛ 94	150	*†104⅛	104⅝	0	−0⅛	5.08

Average price changes on day 0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅛ 91	20	98⅛	99⅛	−0⅛	−0½	6.89
Denmark 6⅛ 96	20	103⅛	103⅝	0	−0⅛	6.20
Dow Chemical 6⅛ 01	20	97⅛	97⅝	+0⅛	−0½	6.64
EIB 6⅛ 96	25	103⅛	103⅝	0	−0⅛	5.95
Province de Quebec 6 98	30	†98⅛	99	0	−0⅛	6.35

Average price changes on day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	300	54⅛	55⅛	−0¼	−0¼	15.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC UK Fin. 10½ 90 £	30	99	99⅝	−0⅛	−1⅛	10.76
Imp. Chem. Inds. 10 03 £	100	†90⅛	90⅝	−0⅛	−5⅛	11.25
Imp. Chem. Inds. 10⅛ 92 £	75	†96½	97	−0⅛	−2⅛	11.53
Invst. in Inds. Int. 10 93 £	60	†94	94½	−0⅛	−2⅛	11.26
Leeds Bldg. Soc. 10½ 91 £	50	†96	96½	−0½	−2⅛	11.57
McDonalds 10⅞ 90 £	40	†99	99½	−0⅛	−2⅛	11.09
Nationwide BS 10⅛ 93 £	75	†93⅛	94⅛	−0⅛	−2⅛	11.48
NSW Treasury 10⅛ 92 £	50	95⅛	96⅛	−0⅛	−3⅛	11.54
Royal Insce. 10⅛ 92 £	60	†96½	97	−0⅛	−2⅛	11.59
J. Sainsbury 10⅛ 93 £	60	96¼	97⅛	−0⅛	−3⅛	11.34
Trusthouse Forte 11⅛ 90 £	50	†97	99½	−0⅛	−1⅛	11.34
World Bank 11⅛ 95 £	100	102	102⅝	−0⅛	−4⅛	10.04
CoE 8⅛ 98 LFr	300	†105	106	½	+0⅛	8.09
EIB 8⅛ 93 LFr	1000	†105	106	0	+0⅛	7.49

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. £ 94	0.08	99.42	99.47	18/10	10.08
Bank of Montreal 98	0.05	99.69	99.78	29/01	5⅛
Barclays Bank Perp. 1	0⅛§	100.47	100.56	2/01	7.06
Barclays Bank Perp. 2	0⅛§	100.14	100.24	14/08	8⅛
Belgium, Kingdom of 91	0	100.51	100.61	19/02	8.06
BNP 5⅛ 95	0.05	†102.06	102.36	12/01	6.8
Britannia 5 93 £	0⅛	99.72	99.80	8/10	10.19
Chase Manhattan Corpn. 91	0⅛	99.70	99.80	20.08	6.12
Citicorp 98	0⅛	99.08	99.19	29/08	7.19
Credit Lyonnais 5 00	0⅛	100.34	100.44	12/01	6.01
EEC 3 92 DM	½	100.59	100.69	20/08	4.44
EEC 5⅛ 93 Ecu	0.0312	99.87	99.97	30/07	7.66
Halifax Bldg. Soc. £ 94	0.1	99.83	99.98	6/08	10.54
Lloyds Bank Perp.	0⅛	100.78	100.88	8/12	7½
Midland Bank 01 £	0.1	99.62	99.73	7/11	10.6
Milk Mrktg. Board 5 95 £	0⅛	99.88	99.97	26/09	9.98
NatWest Perp. A	0⅛§	100.68	100.78	9/01	6.94
NatWest Perp. 0	0⅛§	100.67	100.77	10/02	8⅛
New Zealand 5 97 £	0.07	99.88	99.88	14/08	10⅛
New Zealand 5 01	½	100.25	100.35	4/02	8.13
Prudential Corpn. 4 98 £	0.1	99.64	99.74	5/09	9.85
Royal Bk. Scotland 5 Prp.	0⅛	100.24	100.34	11/12	7⅛
United Kingdom 5 92	0	100.19	100.29	7/10	7.29
Woodside Financial 5⅛ 97	½	99.92	100.08	20/10	6.81
Woolwich 5 95 £	0⅛	99.64	99.69	15/11	10½

Average price changes on day −0.04 on week −0.05

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5 99	4/84	1033	247⅛	249½	−3⅛	7.51
Fanuc 3⅛ 98	3/84	7852	230½	232⅛	−1⅛	61.36
Fuji Heavy Industries 5 00	8/85	676	123½	126½	+5½	4.50
Fujitsu 3 99	5/84	1320	120⅛	121⅛	−1⅛	15.00
Marui 3½ 99	7/84	1162	336½	337½	+12⅛	2.28
Minolta Camera 2½ 94 DM	2/86	1105	102½	103½	−0⅛	56.31
Mitsubishi Bank 2⅞ 00	8/85	1768	147½	149	−0⅛	1.73
Mitsubishi Elec. 2⅞ 00	3/85	422	†183	184	−2	−4.82
Mitsui Bank 2⅞ 01	4/86	100.9	122½	123⅛	+0⅛	−90.35
Murata 3½ 00	2/84	2390	170⅛	172⅛	+3⅛	21.62
Nippon Elec. 2⅞ 00	3/85	2295	251	252⅛	+0½	200.22
Nippon Oil Co. 3 00	3/85	929	180⅛	182½	+4⅛	2.42
OKI Elec. Ind. 3½ 99	10/84	805	139½	140½	−3½	−4.85
Sanwa Bank 2⅞ 00	10/85	1496	145⅛	145	−2	−0.50
Sekisui House 5 99	6/84	612	302½	309½	+12	0.85
Sumitomo Bank 2⅞ 00	8/85	2142	160⅛	161⅛	+2⅛	0.45
Sumitomo Corpn. 2⅞ 99	5/84	595	265	265	−0½	0.92
Taiyo Yuden 3⅛ 00	5/85	1070	†153	155	0	−0.76
Toshiba Ceramics 3 00	4/85	1734	†126	127	−0⅛	4.07
Nippon Oil Co. 2⅛ 92 SFr	9/84	1052	†115½	115½	0	7.08
Nippon Shinpan 2 92 SFr	3/84	802	†179½	179½	0	13.25
Asics 5 92 DM	12/85	520	224	124⅛	+6⅛	8.65

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

INTL. COMPANIES and FINANCE

Kenneth Gooding on the recent flood of interest in the German car group

BMW suitors shown the door

BMW was visited by three big companies in one week recently. Each hoped to put the West German luxury cars group on theirs hopping list.

"They were qneueing up to buy us. It was no joke," says Mr Eberhard von Kuenheim, chairman of BMW, about the recent flood of interest.

While Mr von Knenheim will not name the interested parties, it is widely believed that Chrysler, third largest of the US automotive groups, which is seeking a way back into the West European motor industry, made the most serious inquiries. Chrysler is rumoured to have offered three times BMW's stock market value, currently about DM 9bn ($4.5bn).

That appears to be within sight of what the BMW management think their company is worth.

Mr von Kuenheim suggests tht one of the major obstacles for any group wanting to acquire BMW is that "the price would be high. BMW is worth two or three times the stock market valoe."

This is because the profit and loss account by no means reveals all. BMW does not consolidate world-wide results, not even those from the US, its best export market where last year is sold 88,000 cars.

Mr von Knenheim says that BMW has absolutely no intention of producing a consolidated balance sheet until forced to do so by European Community regulations which come into effect in 1988.

The second major obstacle any potential predator will have to overcome, the chairman points out, is that the Quandt family, heirs to Herbert Quandt, the industrialist who took control of BMW in 1959 and died in 1982, must first be persuaded to give up their shares, amounting to some 60 per cent of the issued capital.

"And what better home could they find for their money?", he asks. BMW pays annual dividends giving shareholders a return of 7 to 8 per cent, among the hest in the motor industry, while shareholders' funds are rising steadily.

Mr Stephen Reitman, automotive industry analyst at Laing and Cruickshank, the London stockbrokers, suggests it would not have been difficult for the Quandt family to turn down the Chrysler proposals. "They would be exchanging stock in one car company which they know well for stock in another which they do not know at all —and face a major tax charge."

Even if the Quandts decided to sell—which admittedly seems unlikely because the family took up all its shares in the recent DM 555m, one-for-four rights issue—Mr von Kuenheim believes the West German Cartel Office would step in to prevent any other automotive group buying BMW.

He suggests that, not only would those companies already producing cars in West Germany (Volkswagen-Audi, Daimler-Benz, General Motors and Ford) be hlocked by the anti-trust rules, but so would any other substantial car manufacturer.

Eberhard von Knenheim: expecting continuing growth

Mr von Kuenheim's arguments are based heavily on the assumption that the BMW management can continue to provide the Quandts and other shareholders with reasonable financial results.

He admits this will not be easy in the changed eircumstances of the world's motor industry. "The time of big increases in production and proSt is at an end."

Nowhere is this more the case than in BMW's home market. Nearly every person who can afford a new car in West Germany already has one, leaving only replacement to provide demand. Also the West German population is gradnally declining.

Mr von Knenheim believes BMW can continue along the growth path, though at a more sedate pace than in the boom years of 1983-85.

Last year BMW's turnover rose 9.7 per cent to DM 18bn but net income slipped by 9 per cent to DM 300m. The decline was mainly caused by an increased tax charge, a technicality and nothing to cause any concern, according to Mr von Kuenheim. This year "we will have every reason to be satisfied with our business results," he adds.

The sharp rise in the value of the D-mark against the US dollar is bound to catch up with BMW at some point, even though the group hedges against currency fluctuations. But, as previously explained, this will not show up in the published profit and loss account because *this includes only the factory* profit on cars built for the US —and the price to the US subsidiary has not been changed significantly.

Laing and Cruickshank's Mr Reitman estimates that BMW will begin to feel considerable pain if the dollar falls to DM 1.70.

BMW's car factories at Munich and Dingolfing in Bavaria are working at full stretch and above nominal capacity. Towards the end of this year the pressure will ease with the opening of BMW's third plant, also in Bavaria, at Regensburg, which will lift annual capacity to about 550,000.

Car sales this year are forecast to rise from the record 440,732 to about 450,000. Outpnt will then advance in annual "steps" of about 20,000 each in 1987 and 1988.

BMW has no intention of pushing up volume quickly once Regensburg is up and running. Mr von Kuenheim says: "Our output will always be kept behind the demand we are expecting."

And be feels that if BMW produced 600,000 cars a year it would be in danger of losing the exclusivity which contributes substantially to the attraction of its models.

Sales in the US are expected to advance to 92,000 this year and BMW believes it can push ahead to 100,000 a year in the States — still less than 1 per eent of that huge market — withont hurting its image or causing protectionist concern among the domestic companies.

However, Mr von Kuenheim does not want to rely too heavily on the US and intends to hold sales there below 20 per cent of BMW's annual total.

BMW's turnover will climb faster than car volume sales in future, he predicts, as the group encourages customers to buy cars with more equipment, of higher specification and at higher prices.

The 7-series models, launched in Continental markets this autumn and in the UK and US early next year, are an important element in this strategy. Sales of the 7-series are expected to rise to 50,000 a year compared with an average of 30,000 for the old versions.

Mr Reitman points out that, while the 7-series models represent only 10 per cent of BMW's output, they contribute about 20 per cent of profit. In comparison, the best-selling but smaller 3-series models contributed 60 per cent of volume but only 45 per cent of the profit.

BMW's capital expenditure jumped sharply last year from DM 870m in 1984 — when the programme was held back for three months by the West German engineering workers' strike—to DM 1.34bn. Mr von Kuenheim says it will move ahead again, to about DM 1.5hn, this year but will still be covered by cash flow and the proceeds of the rights issue.

Faced with slower growth for its car business, BMW might be expected to look for diversification into an industry with better growth prospects. Earlier this year the group seemed about to follow Daimler-Benz its West German rival into the aerospaee industry with the ecquisition of MBB (Messerschmitt Bolkow Blohm).

MBB has a complicated ownership involving large holdings by the state goverments of Bavaria, Hamburg and Bremen, two banks and e variety of German industrial groups including Thyssen, Bosch, and Krupp.

Mr von Kuenheim says the state shareholders wanted BMW to take over only the eqnity held hy the private eector group, and that "no way" would BMW put in money and management time, yet he subjected to political interference.

Although BMW is small in motor industry terms — it produces only about 1.5 per cent of the cars made in the world — it is a big industrial group by any other measurement.

MBB, with e turnover of DM 6bn and pre-tax profits of DM 109m last year, would have been abont the right size for BMW. As Mr von Kuenheim points out, if BMW is to diversify, "the company we buy must be big enough to warrant our management time but small enough not to damage BMW should anything go hadly wrong."

INTERNATIONAL COMPANIES and FINANCE

Malaysian funds flow into foreign banks

By Wong Sulong in Kuala Lumpur

FOREIGN BANKS and finance companies in Malaysia are enjoying a strong influx of cheap funds as nervous depositors switch savings, following a spate of bad losses and runs on local banks and the financial crisis facing the deposit-taking co-operatives.

Several foreign banks have confirmed that there has been "a strong upsurge" in deposits in recent weeks, and one foreign-owned finance company which has a wide branch network has reported an increase of more than 30 per cent in deposits.

The influx of deposits is proving to be a double boon to the foreign banks, which have in the past lost out to local banks because of a limited branch network.

Traditionally, foreign banks have to borrow in the interbank market at high cost to fund lending. Interbank rates have shot up because of tight liquidity in the Malaysian finance system. The loan deposit ratio of Malaysian banks currently exceeds 100 per cent, compared with 96 per cent last year, and some foreign banks have a loan deposit ratio as high as 140 per cent.

According to Bank Negara, the Malaysian central bank, the banking sector had total deposits of 51bn ringgit ($19.6bn) at the end of last year, of which 12.1bn ringgit was placed with the 16 foreign banks.

The foreign banks are offering between 9 and 10 per cent interest for fixed deposits, compared with 10 and 12 per cent offered by local finance companies.

Depositors' confidence in the local financial system has been shaken in recent months by poor banking results, a spate of runs, and action by the government to freeze the activities of 24 of 34 deposit-taking co-operatives. The 24 DTCs have 1.6bn ringgit in deposits and many are in trouble because of bad investments in the property and share markets, which had collapsed.

According to bankers, the most disturbing feature is that some of the runs were sparked off as a result of political, business and even personal rivalry, rather than the financial health of the institution concerned.

Meanwhile, Mr Daim Zainuddin, the finance minister, has announced his family was planning to sell off its 50.3 per cent stake in United Malayan Banking Corporation to defuse the controversy surrounding the family's involvement in the country's third largest domestic bank.

It is understood negotiations are taking place to sell the stake to Pernas, a government agency, which already has 32 per cent in UMBC.

Ian Rodger on a key player at the Tokyo Stock Exchange

Heiwa finds a formula for growth

THE TOKYO Stock Market and Heiwa Real Estate have a uniquely interdependent relationship. Heiwa, a small real estate company, derives most of its revenues and profits from renting office and trading space to Japan's stock exchanges and stockbrokers. Moreover, its rental income from the exchanges is dependent on stock exchange volume.

When market actvity is strong—and it has been breaking all records in recent months—Heiwa prospers. It return, Heiwa's own share prise has come to be regarded as a leading indicator of the stock market. It figures prominently in accounts of daily trading activity alongside such household names as Sony, Hitachi and Mitsubishi.

Heiwa shares have done well this year, rising from Y873 at the end of December to a recent peak of Y1,390. Ominously perheps, they have slipped to the Y1,000 level in the past two jittery weeks.

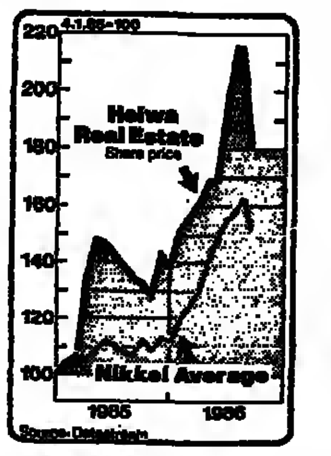
Heiwa's profits have also done well. The company recently forecast that pre-tax earnings in the six months to September 30 will be up more than 50 per cent to about Y900m ($5.9m).

Like many institutions in Japan, Heiwa's peculiar structure arises from a reconstruction which took place after the Second World War.

After the war, the old stock exchange companies were liquidated, bot investors had acquired a taste for e share that was directly dependent on market activity so Heiwa (the word means peace) was formed to take over all their properties.

However, stock exchange business has always accounted for a large share of its revenue and the importance of this side is increasing. A record 62 per cent of Heiwa's Y6.8bn revenue last year came from stock exchange rentals.

Stock Exchange members are also the controlling shareholders of Heiwa, and there lies the rub. Three years ago they decided that Heiwa was on to



too much of a good thing with its volume formula, at least as far as the Tokyo Stock Exchange was concerned.

The TSE is by far the largest stock exchange in Japan. By way of illustration, 70 per cent of Heiwa's stock exchange revenues come from the TSE. TSE members ebanged the formula to one combining a fixed basic component and e flexible component based on the value of transactions above an agreed amount. The brokers also established the right to review the formula every two years.

The next review is due to take place next month, and Heiwa executives are under no illusions about what will happen. The point at which the formula comes into play is now Y270bn of share sales per day. In July the value of average daily trading was Y740bn, far beyond what anyone expected two years ago.

"The base point will be moved up," Mr Kageyoshi Sakuma, a senior executive director, acknowledges. He also points out that, because of the review, the company's profit growth rate of the first half will not be susteined in the second half. But Heiwa executives are still hoping for a 36 cent rise to Y1.9bn.

Keppel in life insurance joint venture with Amev

BY STEVEN BUTLER IN SINGAPORE

KEPPEL, THE Singapore shipbuilding and marine group, yesterday announced the sale of a S$15.75m (US$7.3m), 40 per cent equity share of its wholly-owned subsidiary, Malayan Motor and General Underwriters to Amev, the Dutch international insurance and financial services group.

The joint venture company will be renamed MMGU Insurance, and will expand its activities in general insurance to the life insurance business. MMGU had a 1985 turnover of S$13.5m.

The Singapore life insurance industry is expected to receive a boost next year, when Singapore retirees will be able to place e portion of their pensions accumulated under the government-run Central Provident Fund with life insurance companies.

Keppel said it was interested in the life insurance expertise and underwriting capability that Amev could provide. Amev's total revenues last year were Fl7.5bn.

Brierley lifts HWT stake

BY ROBERT KENNEDY IN SYDNEY

INDUSTRIAL EQUITY, the master company in Australia of Mr Ron Brierley, the New Zealand-based entrepreneur, has bought an additional A$27m (US$17m) of shares in Herald and Weekly Times, the Melbourne newspaper group.

The deal appears to give IEL about 11 per cent of HWT, making it tha company's second largest shareholder, and heightens the prospect of a takeover bid.

Speculation in Sydney has centred on the possibility that IEL would set itself up merely as a catalyst for change at HWT. But analysts in Australia have also pointed out that Mr Brierley alreedy bas large publishing interests in New Zealand and might wish to take a more active role in HWT's affairs.

Bank Hapoalim profits fall as financial margins slip

BY JUDITH MALTZ IN TEL AVIV

BANK HAPOALIM, which now claims to be Israel's largest bank, yesterday reported an 11.2 per cent drop in net profits to Shl 15.9m (US$10.6m) for the first half of 1986, compared with the same period last year.

Total assets, down by 4 per cent, stood at Shl 35bn (US$23bn), and for the first time, exceeded those of tis long-time rival, Bank Leumi le-Israel. Since a smaller proportion of Hapoalim's assets are denominated in foreign currency, it did not suffer as moch as Leumi from the slowdown in the rate of increase of the exchange rate.

Shareholders' equity at Hapoalim increased by 6.8 per cent to Shl 1.05bn (US$703.1m).

The bank attributed the downturn in profitability to low interest rates and financial margins, a government-imposed freeze on banking fees, and large provisions made for bad debts in wake of the difficulties plaguing the country's business sector.

But, he said, considering that its profits and assets had not contracted by as much as those of Israel's other large banks, Hapoalin had performed "relatively well."

El Al may find private buyer

BY OUR TEL AVIV STAFF

THE ISRAELI Government Companies Authority and the country's Finance and Transport Ministries are examining the possibilities of selling El Al, the national airline, to private investors.

Among the parties who have reportedly expressed interest is Mr William Belzberg, the Los Angeles businessman.

Numerous attemps have been made over the past few years to sell the airline, which has accumulated a debt of $340m, without success.

In 1984-85, the company showed a $9.7m loss, but an improvement is expected in this year'a figures.

El Al has been in temporary receivership

INTL. COS and FINANCE

Malaysian Airline System set to maintain year-end profits

MALAYSIAN Airline System (MAS) expects to maintian pre-tax profits for the year ending march 1987 at about 108.77m ringgits ($41.4m) similar to the previous year.

Raja Mohar Bin Raja Badiozaman, MAS chairman, said the airline expected an improvement in passenger traffic which fell 1.9 per cent last year. He said cargo income, which rose 1.5 per cent last year, should increase further.

At present 30 per cent of the MAS shares are quoted in the Kuala Lumpur Stock Exchange and the remainder are in the hands of the Government. The company wants to sell more shares to the public, but has not decided when to do this, the chairman said.

Raja Mohar said the airline aimed to be listed in overseas exchanges and firms from Tokyo, London and New York had said they were interested in helping to float overseas issues.

MAS will also embark on a 200 ringgit modernisation programme which would include replacement of its Fokker Friendship fleet being used for short runs within the country.

Raja Mohar, who is also economic adviser to the Malaysian Government, was now negotiating with the governments of New Zealand, Australia, Greece, Italy, the Netherlands, West Germany and Denmark for traffic rights for MAS. The airline flies to many destinations, including the US, Britain, Australia, Japan, France, and the Middle East.

French Disneyland talks stall

THE LONG-RUNNING talks between the French Government and the Disneyland International unit of Walt Disney about an amusement park outside Paris are understood to have stalled on a series of legal problems.

Differences on the form of a definitive contract for the multi-million dollar project may delay signing of a final contract until at least the end of the year, Reuter reports from Paris.

The two sides signed a letter of intent for the European Disneyland scheme last December. But negotiations have been hit by problems including disagreements over financial terms and French pledges to improve transport links.

Initial investment by Walt Disney and its mainly French associates in the project's central theme park has been put at about FFr 8bn ($1.2bn).

But French officials estimate long-term investment at some FFr 45bn and say the project in the Marne-la-Vallee development zone east of Paris will create more than 30,000 jobs.

The amusement park was originally due to open in 1991 but it now looks unlikely to open until at least spring 1992.

Seoul orders companies to merge

SOUTH KOREA has ordered 11 companies to acquire 17 financially troubled concerns under the Government's industrial realignment programme. The Finance Ministry said no more such forced mergers were planned for the remainder of 1986, Reuter reports from Seoul.

The banks will provide soft loans to the merged entities, which will also be exempt from corporate tax and property acquisition and registration taxes. The Government ordered 12 such compulsory takeovers earlier this year.

The 17 concerns include seven subsidiaries of Kukje Group which collapsed last year. Hanil Synthetic Fibre Industrial will absorb five of the concerns and Dongkuk Steel Mill two.

Daewoo will take over Keang Nam Enterprises, while Sangyong Construction will absorb Namkwang Engineering and Construction.

Daewoo and Sangyong have taken over overseas construction contracts won by the dissolved firms.

CONTRACTS

£6m Singapore airport project

The development of Singapore Changi Airport's second terminal was taken a step further with a contract for a computerised Flight Information Display System (FIDS II) between the Civil Aviation Authority of Singapore (CAAS) and PHILIPS PROJECT DEVELOPMENT (S) PTE. The S$19.5m (£6m) contract was for the design, manufacture, supply, installation and commissioning of FIDS II and the integration of FIDS II with the FIDS in Terminal One. The system will provide flight information for travellers, airline and airport personnel at Changi Airport. It will also provide internal information for airport operational staff, including private data relating to maintenance, passenger and ramp services, security and the like. In addition, it will supply flight information round-the-clock to the hotel flight information system and the nation-wide electronic information system, SBC Text and Teleview.

★

VICARS GROUP has won a contract worth just under £1m from the Co-operative Wholesale Society, for an automatic "Cream Cracker" production plant. This is the first major investment in new "Cream Cracker" production plant for many years, says the company.

★

JOHNSON MATTHEY catalytic systems division-equipment has won orders worth £296,000 to supply equipment for use in the manufacture of semi-conductors. Largest order, valued at £200,000, is to supply four G10 hydrogen generators to Lucky Goldstar Electronics in Korea.

★

TELECOMMUNICATIONS INFORMATION SYSTEMS has won a £500,000 contract to supply automatic voice recording systems to Shearson Lehman Brothers, part of American Express. The recorders will automatically record all telephone transactions to and from dealing desks in the company's new City of London securities trading floor—the largest dealing room in the UK, and one of the largest in the world.

★

STONE INTERNATIONAL subsidiary Stone Safety Corporation has a contract from New York City Transit Authority for the supply of 110 car sets of air conditioning, solid state temperature controls and solid state converters. The total vale of the order exceeds $5m (£3.3m) The equipment will be used by the Transit Authority for the refurbishment of R.42 cars.

★

Weir Group subsidiary, WEIR ENGINEERING PTY has secured a £5m contract to supply two sets of condensers and air extraction pump plants for the 500 MW turbines on the State Electricity Commission of Victoria's Loy Yang "B" power station project in Australia. The condensers will be made in Australia. The project, which is being constructed by the State Electricity Commission of Victoria, is expected to be completed and supplying power to the Victoria grid system in the mid 1990s.

★

APV PARAMOUNT, part of APV Holdings, has been awarded a contract by the M. W. Kellogg Company in Houston, Texas, to cast a large tonnage of tubes, bends and "Y" pieces in three proprietary heat resisting steels. These components are to be incorporated into coils which are to be installed in gas preheating furnaces forming part of an iron ore direct reduction plant to be rebuilt in Venezuela at Matanzas for CVG-Siderurgica Del Orinoco CA, the national steelworks company. This contracts isw orth over £2.25m and both the Crawley and Billingham foundries of APV Paramount will be involved.

★

Madeleys, said to be Britain's largest independent DIY company, has placed a £1m order with ICL for electronic point of sale systems. It covers 30 System 25 minicomputers which initially will service 15 stores running 60 ICL 9505 point-of-sale terminals. Hand-held lasers will be used in association with the system to read bar codes on produces and enable price look-up. This will allow Madeleys to use shelf-edge pricing, meaning any price changes can be implemented immediately enabling cost benefits, as well as labour and management time saving.

★

Thermalite, recently acquired by Marley for £56m, has concluded a 10-year ash agreement with the CEGB for the supply of pulverised fuel ash, a major ingredient in the manufacture of aerated blocks. The contract is worth £1m a year to the CEGB. Under the agreement, Thermalite can draw several hundreds of thousands of tonnes of PFA a year from power stations in England normally located near the company's plants.

★

WAVIS ENGINEERING DEVELOPMENT has sold 1-6 station and 1-8 station rotary transfer machine tools to Daewoo HMS Co, Seoul, for machining tie rods. Total order value £825,000.

★

STONE INTERNATIONAL has been awarded a £517,000 extension to its contract for traffic signal and control equipment to be installed on the M25 motorway.

Tarmac £6m ahead and order books are strong

ALTHOUGH 1986 started quietly for Tarmac due to exceptionally cold and wet weather, business subsequently picked up well and enabled the group to lift its profits for the first six months by £5.9m to £47.5m pre-tax.

Order books for the housing, quarry products and construction divisions are strong and the directors said yesterday that the outlook for the full year was one of further progress.

Sir Eric Pountain, the chairman, said that despite highly competitive trading conditions, almost all areas of the group's business were in excellent heart and indications were that Tarmac would have another good year.

Sir Eric warned at the end of the last full year that the group had had a quiet start to 1986. City analysts had been looking for first-half profits of around £50m, but after an initial 8p fall to 454p Tarmac's shares closed unchanged yesterday at 462p.

Turnover for the opening six months pushed ahead from £722.9m to £742.2m. At the operating level, profits rose by £5.2m to £58.8m before taking account of interest charges, which fell from £12m to £11.3m.

After tax of £16.6m, compared with a previous £14.7m, net profits emerged £4m higher at £30.9m. Minorities accounted for a same-again £0.2m.

Earnings worked through 1.3p ahead at 9.9p and the interim dividend is being stepped up from 2.2p to 2.45p net per 50p share.

Sir Eric Pountain, the chairman of Tarmac

Dividend payments will absorb £7.6m (£6.8m) and leave a retained balance of £23.1m, against £19.9m.

During the half year the quarry products activities in the UK showed an encouraging improvement over the first half of 1985 in spite of the cold and wet weather in the early part of the year.

Overseas, the US activities continued to progress satisfactorily but the South African results reflected the political and economic problems in that country.

The housing division had an excellent first half. Sales and reservations were both well up on last year and the division confidently expects to exceed 10,000 housa sales in the full year. In 1985, 9,062 houses were sold.

The construction division again suffered from the prolonged adverse weather conditions throughout the first half. Profit was similar to that of tha first half of 1985.

The newly-formed building and industrial products division performed satisfactorily. Operating profit was down following the sale in 1985 of the oil and gas exploration company, Plascom, and certain other businesses. However, the remaining businesses were somewhat ahead of the corresponding period last year, despite difficult terms of trade in tha refineries in tha early months.

The properties division profit was in line with the first half of 1985.

Earlier this year Tarmac was busy on the takeover front. In January it acquired the outstanding 50 per cent holding Philmac Oils from Phillips Petroleum UK and the following month purchased five companies in tho US.

In March it bid £44m in cash and shares for Thermalite Holdings, but the offer lapsed two months later.

See Lex

Ceramics and lower finance costs boost Morgan Crucible

AN INCREASED contribution from the ceramics division and a cut in finance charges were behind a 24 per cent rise in pre-tax profits for Morgan Crucible in the first six months of 1986. Tha taxabla profits rose from £8.5m to £10.5m with ceramics showing a rise of £500,000 to operating profits of £2.2m and the interest payable falling by the same amount to £1.6m.

Turnovar improved from £103.8m to £112.4m, up 8 per cent. Stated earnings per share were 8.6p, against 8.3p and an interim dividend of 4.2p (3.9p) is being paid. Last year there was a total payment of 8.5p, from pre-tax profits of £18.7m.

Sir James Spooner, chairman, said tha year had opened satisfactorily with most companies performing well despita a slowdown in the US, UK and Australian economies. Currency movements, though less of a problem than last year when they cut £3m off profits, still reduced the pre-tax figure by £600,000 a third of which was incurred by the carbons division, contributing to its unchanged operating profit of £5m.

A breakdown of the turnover figure showed that carbon was the largest division with sales of £35.9m (£36.5m), with thermic next at £31.7m (£31m). There were also contributions from ceramics £18.1m (£14.9m), lubrication £15.5m (£17m) and electronics £11.2m (£4.4m). As well as carbon and ceramics, operating profits were split between thermic at £2.3m (£2m), lubrication £2.1m (£1.9m) and electronics £900,000 (nil).

Mr Bruce Farmer, managing director, said First Castle Electronics, acquired during the period, had been hit by deferments in defence Ministry orders for Centronics' weapons simulators.

The group pre-tax profit included investment income of £200,000 (nil). The tax charga was £3m (£2.8m)

Morgan also announced the purchase of Artisan Electronics, a New Jersey-based defence contractor.

● comment

Morgan Crucible's avowed intent is to double pre-tax profits every three years. Put more prosaically, that means achieving a compound growth rate of 26 per cent a year, so perhaps it was the two percentage point shortfall in yesterday's interim advance that knocked the same number of pence off the share price yesterday. If so, the market continues to judge Morgan harshly, for the increase was achieved in difficult circumstances: three of its major markets suffered economic slowdowns, currencies were unfavourable, reorganisation costs held back the carbon division, the electronics division was hit by restraints on *MoD spending, shipments of* Tornado weapons release systems were held by tha non-availability of parts, and First Castle was denuded of first-half profits by the need of a strong bid defence. Many of these factors were temporary and the confident tone of Morgan's interim statement suggests that little can hold it back from the widely-forecast £25m for the full year. With the shares at 248p and the tax charge down to 28 per cent, the p/e ratio comes out at 12½—a level which surely takes insufficient account of the fundamentals, let alone Mr Holmes à Court's 13 per cent stake.

DIVIDENDS ANNOUNCED

Beatson Clark ......int.	3.3	Nov 24	3.3	—	7.5
W. Canning ....int.	1.15	—	1.15	—	3.55
Chambers & Fargus ...	1.25	—	nil	1.25	nil
Datron Intl. ‡	1	—	—	1	—
Freemans ....int.	2.7†	Dec 6	2.3	—	7
Gableci‡	2	—	1.9	3	2.8
Joseph Holt ....int.	4	—	3.5	—	16
Wm. Jacks ....int.	0.6	Nov 21	0.5	—	1.1
Merivale Moore	3	—	—	—	—
Metalrax ....int.	0.73	Oct 31	0.64*	—	2.23*
Morgan Crucible ...int.	4.2†	Jan 2	3.9	—	8.5
Pantherella‡ ....int.	1.5	Jan 5	1.5	—	3.7
Parker Knoll	8	Nov 1	6.5	12	9.5
Sale Tilney‡ ....int.	3	Nov 28	2.5	—	0.5
Spring Ram ....int.	0.33	Dec 12	*0.31	—	*0.91
Tarmac ....int.	2.45	Nov 11	2.2	—	9.4
Travis & Arnold ...int.	2.15	Nov 10	1.95	—	8.52
Trinity Intl. ....int.	5	—	4.2	—	15
W. Yorks Ind. Hosp. ...	2.5	—	—	4	—

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Fisons expands in scientific instruments

By Lionel Barber

Fisons, tho drugs and horticulture group, is expanding its scientific instruments business with the agreed purchase of Applied Research Laboratories (ARL), a US company, in a deal worth $66m (£44m).

ARL is a privately-owned company which manufactures in Switzerland and California. It specialises in spectrometers which use optical emission and X-Ray techniques for analysing solids and liquids.

For the year ended June 1986, ARL made $5.2m profits before tax on worldwide sales of $70m. It employs 800 people.

Fisons said yesterday that the conditionally agreed purchase was part of the UK group's aim of expanding into high-technology manufacturing of scientific instruments.

In 1985, it paid £12.5m for the Italian instruments manufacturer, Carlo Erba Strumentazione.

Fisons is paying $38m for ARL and is assuming $28m of borrowing on completion, which is subject to government and other consents. The purchase is expected to be finalised by the middle of next month.

The deal is being financed through a US$50m convertible bond.

Last week, Fisons delighted the City with a 24 per cent rise in interim pre-tax profits to £37.2m for the six months to June 30 1986.

The scientific division made £9.1m pre-tax on £173.7m sales. Based on Fisons' interim figures the scientific division accounted for almost 53 per cent of Fisons' total sales.

ARL has its largest manufacturing base in Ecublens, Switzerland. In addition there is a data handling team based in Luton, UK, which develops software and application packages. ARL has sales subsidiaries in 10 countries.

See Eurobonds, Page 34

Mrs Fields in China

Mrs Fields, the USM-quoted hot cookie vendor, said a joint venture company called Mrs Fields Cookies Far East had been formed with Dairy Farm, a subsidiary of Hong Kong Land, to make and distribute Mrs Fields products in Hong Kong, Macau and China.

IN BRIEF

WEST YORKSHIRE Independent Hospital, which was launched on the USM last November, reported a 36 per cent increase from £447,803 to £611,626 in pre-tax profits for the year to June 30 1986. The forecast at the time of the placing was for profits of £520,000. Turnover was £2.7m (£2.3m), an increase of 17.4 per cent. Tha dividend is 4p for the year with a final of 2.5p net and earnings per share were up nearly 19 per cent at 9.42p.

WILLIAM JACKS, car distributor, and retailer and overseas tradar, raised pre-tax profits 28 per cent in the first half from £175,000 to £230,000 on turnover of £17.62m (£14.38m). The dividend is being raise 0.1p to 0.6p on earnings per share of 1.7p (1.5p).

LAIDLAW THOMSON (architectural ironmonger): Pre-tax profit up from £183,000 to £249,000 for six months ended Juna 30 1986. Turnover was £9.28m (£7.44m). After tax £163,000 (£162,000) on profit attributable was £249,000 (£171,000). Interim dividend 1.4p (1.25p).

Lucas Industries, the electrical and electronics group, has won agrement from shareholders of Weinschel Engineering Company, tha US company, for its $10.45m cash offer. Weinschel designs and produces microwave components and calibration instruments for the aerospaca and defence industries.

Charles Batchelor on Siebe's agreed bid for Robertshaw Controls

US confidence after APV failure

"I WOULD not like to think we are confident. We are enormously confident," enthused Mr Barrie Stephens, managing director of Siebe, the acquisitivo products and engineering company, yesterday.

Barely three months after its surprise failure to acquire control of APV Holdings, the British process control company, Siebe, has bounced back with a $466m (£317m) agreed takeover bid for Robertshaw Controls Company, a US manufacturer of automatic control equipment for industry, vehicles and the home.

"This is a coup, a marvellous fit," Mr Stephens said fresh from flying back from New York during the weekend after negotiating the support of the US company's board. "This is a core 'grey matter' business where we command the heights. We are now a dominant player in the international control equipment market."

But just how certain is Mr Stephens of victory and how justified is this enthusiasm?

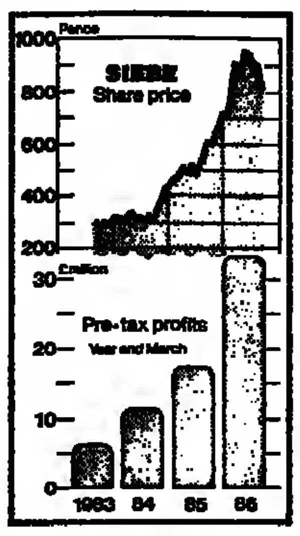
Siebe's bid for APV won it the backing of just 1.2 per cent of APV's shareholders in addition to the 33 per cent acquired by Siebe and its merchant banker Kleinwort Benson.

Tho failure of that bid marked a turn in City sentiment against takeovers where the defending company could show it had a revitalised management which deserved being given a chance to succeed. "One now hat to think twice or three times before launching a hostile takeover bid in Britain," Mr Stephens acknowledged ruefully.

This time the dice are loaded in Siebe's favour. It has the backing of Reynolds Metals, the larga US aluminium producer, which owns 41 per cent of Robertshaw. In addition, Siebe and its bankers have bought a further 8 per cent of the group which is listed on the New York Stock Exchange.

"It's as close to a shut-out deal as you can get," said Mr Christopher Eugster, a director of Kleinwort.

Part of tha agreement between Siebe and Robertshaw is that the other companies which were interested in acquiring Robertshaw have agreed not to counterbid. Siebe's rivals included a number of household names in the controls business in the US and elsewhere.



Mr Barrie Stephens, managing director of Siebe

Even if Siebe wins Robertshaw it is still a relatively small player in a world controls and instrumentstion market which numbers some big competitors. These include Honeywell, Eaton Corp and General Signal of the US, Robert Bosch and Siemens in Germany and Toshiba and Mitsubishi in Japan.

Success, Mr Stephens believes, will emerge from the details of the industrial logic and the cost savings that can be obtained.

Mr Stephens failed to convince the City of the logic of this bid for APV. US shareholders in Robertshaw will doubtless be less interested in the finer industrial arguments but the City is still involved as £225m of the purchase price is being raised by a rights issue.

Mr Stephens has therefore taken great care to prepare his industrial arguments this time. Initially, at least, some analysts were sceptical that Siebe could run the business better than the existing Robertshaw management.

Back-of-the-envelope calculations showed the deal would lead to a slight fall in Siebe's earnings per share this year and a sharper fall on forecasts for next year, one said. The company does have a reputation for confounding doubters but there appears less scope for making improvements at Robertshaw compared with earlier acquisitions such as Compair.

Robertshaw's pre-tax profit rose only slightly in 1985—to $40.5m from $39.9m the year before, but they were still three times the level of 1981. Turnover rose from $351m in 1981 to a peak of $416m in 1984, dipping last year to $413m.

Mr Stephens sees the answer, in part at least, in volumes rather than margins. He believes Siebe can add $150m to Robertshaw's turnover simply by the international marketing of the US company's products through Siebe's European and Asian outlets. Only 4.5 per cent of Robertshaw's sales are exported at present.

Siebe in turn could perhaps add $30m to its existing US sales of $160m by putting its products through Robertshaw's outlets. The impact of these extra sales on profits should ba considerable since sales would be made through the existing network, Mr Stephens said.

In addition, Siebe could source more products from Robertshaw, eliminating the need to buy from outside manufacturers. Robertshaw could also make savings on direct labour costs by switching production to lower cost Siebe plant in countries such as India.

Mr Stephens also believes Robertshaw's research and development effort will be of enormous value. Siebe estimates it is acquiring the fruits of $50m worth of R and D capital expenditure. "They are light years ahead of us in some areas," Mr Stephens acknowledged.

Robertshaw is active in four main sectors:

- temperature control systems for the home and commercial buildings, accounting for 43 per cent of turnover
- appliance controls for domestic and commercial cookers and refrigeratora (23 per cent of turnover). Siebe is at present not active in this field but believes it could sell Robertshaw products to the European white goods manufacturers.
- transportation controls (18 per cent) comprising thermostats, valves and exhaust control components for cars and trucks
- industrial controls (18 per cent) such as vibration control equipment, where Robertshaw has a lead, and automatic lubrication equipment, in which Siebe is pre-eminent.

Reynolds said it had decided to sell its holding, which dates back to 1928, because the company did not fit in with its other businesses and it could find better uses for the funds. The cycles of Robertshaw's business coincided with, rather than balanced those of the main Reynolds businesses, it added.

Reynolds, in common with the oher large aluminium companies has suffered a downturn because of overcapacity in the world market. It returned to profits in the first half of 1986 after several quarters in the red.

The Robertshaw purchase, if it goes through, is the latest in series of acquisitions which will have led to a 20-fold increase in Siebe's market capitalisation throughout the past five years.

Siebe is no newcomer to overseas takeovers and has bought both German and US companies in the past. Nothing has been on the scale of Robertshaw however and the City will be watching closely for the next 18 months.

Lower UK sales peg Beatson Clark's progress

THE first half of 1986 was a period of positive achievement for Beatson Clark, glass container manufacturer, said the chairman, Mr David B. Clark, yesterday. He reported an increase from £741,000 to £757,000 in pre-tax profits for the 26 weeks to June 28, 1986, but turnover was down marginally from £17.18m to £17.07m. There was a fall from £13.13m to £12.84m in UK turnover, but exports improved from £4.06m to £4.23m.

Mr Clark said tha company's main glass container business had increased profitability despite a small fall in sales volume and turnover. The fall in sales volume occurred mainly in its white flint glass business and led to further increases in finished goods stocks and to the decision to close down one of the two furnaces at Barnsley.

The closure took place at the end of May and gave rise to an extraordinary charge of £1.97m. That resulted in an attributabla loss of £1.53m (£425,000 profit).

Mr Clark said he expected only a modest improvement for the full year and the interim dvidend is maintained at 3.3p. Last year a total of 7.5p was paid from pre-tax profits of £1.18m (£434,000 loss). Stated earnings per share rose marginally from 6.7p to 6.9p before extraordinary items.

IEP holds 13.2% stake in Ultramar

IEP Securities, tha investment company owned by Mr Ron Brierley, the New Zealand entrepreneur, has increased its shareholding in Ultramar, tha loss-making independent oil company, to 13.2 per cent from the 12.8 per cent announced last month.

IEP first disclosed in April that it had a holding in Ultramar. It then announced that it owned 6.45 per cent

Mr Brierley has kept on buying shares and now owns 36.2m despite the continuing pressure on tha company's results and share price from the drop in the oil price.

Ultramar's shares rose 5p yesterday to 145p, compared with 190p last April. At this price, the company has a market value of £397m.

B & C increases stake in Abaco to 27%

BY LIONEL BARBER

British & Commonwealth Shipping has bought a further 5.6 per cent of Abaco Investments, the fast-growing financial services and property development group, raising its total holding to 27.09 per cent.

The latest stake, worth £7.1m, was bought at 75p per share from Canada Life Assurance, one of Abaco's original backers when it was launched in June 1983. Canada Life will remain a significant shareholder with 6.02 per cent of the equity. Mr Ian Gunn of Canada Life will remain on the Abaco board.

British and Commonwealth has been steadily buying shares in Abaco, though yesterday it repeated that it had no intention of seeking control of tha company.

Abaco has been expanding kuickly through a series of acquisitions in the financial services sector, such as estate agencies, this year.

The rapid growth follows the appointment last November of Mr John Gunn, a Bricom executive director, to the board of Abaco as a non executive director Mr Gunn was formerly tho driving force at Exco, the money broking and financial services group.

Abaco shares rose 4p to 74p, while Bricom fell 2p, closing at 238p.

Datron nears £1m mark

Datron International, the company which joined the Unlisted Securities Market last year, increased its pre-tax profits by 33 per cent from £983,571 to £1.3m in the year to June 30 1986.

A dividend of 1p is proposed, as forecast in the USM prospectus. Stated earnings per 5p share wer lower at 5.7p compared with 7.1p.

Turnover for th year was £9.77m against £7.86m, an increase of 24 per cent.

Mr Geoff Cannell, the chairman, said one of the highlights of the year was the receipt of its largest-ever order for a single product worth over $1m (£685,000) from the US for Antocal digital multimeters.

UK COMPANY NEWS

Increased demand boosts Freemans to 28% rise

BY ALICE RAWSTHORN

Freemans, the mail order business, announced a 27.5 per cent increase in pre-tax profits to £15.12m for the first half of the year, fuelled by healthy demand for its mail order catalogues and a pensions boliday.

Altbough Freemans' turnover rohe by just 9.5 per cent to £228.58m (£208.7m) in the 28 weeks to August 9, operating profits sported faster growth of 21 per cent to £15.3m (1£2.65m).

Freman's share in profits from its Together joint venture with Jump, more than doublad to £1.28m (£548,000). This increase was belped by unexoectedly high royalty earnings by Together in North America and Europe.

After a revaluaticn of its penalons scheme Freemans bas reduced its balf yearly contribution by £700,000, this reducation will continue for three years.

Earnings per share increased to 13.4p (9.8p) and the board proposes to pay an Interim dividend of 2.7p (2.3p). Freemans' share price rose hy 9p to 470p on the announcement yesterday.

The results contained the first contribution from Bymail, the new concept of "specialogues" developed hy Freemans in conjnnction with Jeff Banks, owner of the Warehouse retail chain it eequired in June.

According to Mr John Brooman, Freemans' chairman, Bymail bad a very successful opening season, although the company underestimated the level of demand. The autumn Bymail specialogue was also faring well.

New Bymalls were to be launched next year and Freemana intended to introduce a new specialogue for teeoaga fashion developed in conjunction with the designer Jeffrey Rogers. The company was also eager to expand tha Warehouse chain of shops.

● comment

The perennial prohlem of tha mail order catalogue bas been how to swell the ranks of the ageing and no-so-affluent consumers whicb dominate tha mail order market. Freemans has hit upon a happy solution in Bymail which appeals to tha young working women who throng Warehouse shops but rarely poke thair noses betwean the covers of a catalogue. The only problem with Bymail seems to have been that in spring and aummer, and again in autumn and winter, Freemans bas erred on the aide of caution and underestimated the level of demand. In the more mundane business of mail order Freemans has continned to outperform the market, sporting sales growth of 9.5 per cent against tbe Industry average of 7.5 per cent, although Next's liaison with Grattans may aharpen competition in the future. Collectivaly the first contribution—of £500,000 or so—from Warehouse and two pension holidays abould boost the full-year'a profits by almost £2m and analysts anticipate a total of £35m. Freemans' share price has risen steadily in the last year or so and the prospective p/e of 15.5 is just a whisker under the retail sector average hut may have a little further to go.

Spring Ram up 51% and growth continues

Spring Ram Corporation, the fast-growing maker of bathroom and kitchen equlpment, yesterday reported a 50 per cent increase in interim pre-tax profits to £2.75 (£1.83m) and said the opening months of the second half had begun well, with strong demand throughout the group.

The increase was achieved on turnover up 38 per cent from £12.74m to £17.58m. There wes a £913,000 tax charge (£350,000). The interim dividend is 0.33p a share, up 10 per cent on last year's 0.30p, while earnings per share totalled 4.1p (3.3p).

The group'a main activities are the manufacture of flat-pack kitchene and bathroom products, notably acrylic baths, thougb last year it established the first vitreons china sanitaryware factory outside the Potteries.

Mr Bill Rooney, cbairman, said the interim figures were particnlarly pleasing since during this period the group bad transferred ell its bathroom manufacture to Bradford

Demand for kitchens was going from strength to strength, while the sanitaryware plant would begin contributing to group profits towarda the end of the current year, making a significant eddition in 1987.

Astracast, the group's kitchen sink venture, usin ga new kind of material developed by ICI, had in its first six months attracted great demend and would make an increasing contribution to profitsbility.

The company added that it was pnrsuing a further green field site to bouse the next atage of its business developments.

● comment

Spring Ram's production efficiency and marketing flair have cut such e swathe thro ıgh the staid building products sector that a 50 per cent profits increase bas come to be seen as almost the norm. But these figures are particularly impr.s-sive, since the first six monthe of this year saw the company facing the upbeavals of a major change of manufacturing site. It is too soon to say whether the new sanitaryware plant will repeat the success with kitchen furniture and baths, but the early signs seem encouraging: Meanwhile, Astracast has got off to an excellent start and international sales have also picked up well. The group remains ungeared, and on forecasts of full year profits of £6.6m could cover last year's dividend tenfold. At last night's close of 222p and on a tax charge of 35 per cent, the shares are on e prospective p/e of 23 — high, but then so are the expectations.

Parker Knoll sets its sights higher after record result

Parker Knoll made record annual profits of £4.62m (£3.6m) in the year to end-July after a good start to the year, which saw first half profits rise 30 per cent to £2.26m, and is expecting better things this year.

The furniture, carpets and textiles group said that performanee improved in eaeh sector. The turnaround at Nathan Furniture, acquired in 1981, to a profit of £212,000 was an important factor in the overall result.

Group sales rose 9 per cent from £43.18m to £47.27m. Group trading profit of £4.46m (£3.67m) consisted of £1.79m from furniture operations, and £2.68m from textiles.

A final dividend of 8p per share is recommended, making 12p (9.5p) for the year. This will absorb £904,000 (£710,000). Earnings per share rose 37.5 per cent to 37.1p (27.7p).

Mr M. H. T. Jourdan, chairman, said the profits rise, plus a partial re-rating of the company's shares, would ald group strategy of extending penetration of the furnishing fabrics markets at bome and abroad.

In July, the group acquired E. Lock, a private reproduction furniture company. This is seen as complementary to Nathan, establishing a profitable cabinet business with potential for further growth.

Mr Jourdan said furniture profits improved last year in a market which was slightly more buoyant, but still very competitive with continuing pressure on margins. Parker Knoll Furniture continued to introduce designs aimed at a younger market. Order books in all the furniture companies were higher than at this time last year.

The past year in textiles was one of consolidation, Mr Jonrdan said. Advertising costs were higher and investment was increased in new designs and product ranges. Growth in export sales continued and it was planned to open sales offices in France and Italy.

Sales of Wilton and Axminster carpets rose 38 per cent in the period and as a result Marcia Weavers had taken an additional factory edjacent to its premises in Runcorn and purchased more weaving and finishing equipment.

Mr Jourdan said eonditions would remain competitive in the current year, hnt the hoard's faith in the management of all divisions encouraged it to set higher targets for the year.

● comment

Parker Knoll has long felt that its share price rating ought to be up with the Laura Aahleys' and Osborne & Litties' of this world to reflect the nature of its textile operations rather than down among the single-digit p/e ratios of the furniture manufacturers. Yesterday's figures suggested that the market had it right all alorg: the textile operations were little better than atatic at ıbe trading profit level wbereas the furniture division shot abead by 65 per cent. A stepped advance is nothing unusual for the textiles side of the buelness, bowever, and if 1985-86 was a year of consolidation for the division, it would be fair to assume a healthy resumption of growtb this year as investment in new products and markets pays off. The furniture side took in e £500,000 benefit from the turnround at Nathan furniture last year, without which its progress would have looked less apectacular, but the E. Lock acqnisition should provide a £250,000 boost this year and organic growth continuee in spite of the hot competition. Overall, some £5.5m should be in sight, which has the "A" shares, at 432p, on a prospective p/e ratio of 9½—probably fair enough for ae long as the consumer spending boom continues.

Pantherella hit by overseas difficulties

Pantherella, Leicester-based men's sock manufacturer, experienced difficult trading conditions in some important export markets during the first six months of the year and eaw pre-tax profits fall by 9 per cent to £287,000 against £315,000.

Mr D. L. Donne, chairman, aaid that in the period to the end of June 1986 Australia and the Middle East were particularly difficult markets, and there was a substantial decline in the number of tourists in London. He added, bowever that the order book at the end of the period was higber than for the previous year and he expected the market to strengthen as the autumn progressed.

The indications were that the foll year's profits would be similar to the £761,000 of last year.

Turnover for this USM-quoted company rose from £2.09m to £2.14m. There was a lower tax cbarge of £105,000 (£132,000) leaving attributable profits almost unchanged at £182,000, against £183,000.

Earnings per share were unchanged at 4.6p and the directors ere paying a same-again 1.5p. Last year there was a total payment of 3.7p.

EUSTON CENTRE Propertles, property investment company, increased net rents from properties to £9.03m (£8.63m) in year to March 31 1986. Interest income totalled £858,000 (£771,000) and interest payahle £2.01m (£2.03m). Pre-tax profits amounted to £7.88m (£7.36m). Tax of £3.13m (£3.19m) left net profits at £4.75m (£4.17m).

Merivale Moore up 63%

Merivale Moore has exceeded its forecast made at the time of its flotation last December with annual pre-tax profits up 63 per cent from £1.41m to £2.3m. Turnover in the year to June 30 rose 40 per cent from £7.87m to £11.02m.

Mr J. G. Dean, chairman, said that in the past year management and organisational changes had ben made to reflect the company'a new status and t osharpen and expand the business more rapidly, in particular comercial property activities.

It is felt that in its established activities of developing residential property in and around Kensington and Chelsea the market looks overheated, resourcee have therefore been dircted more towards commercial davelopment for resale.

The company is also looking at other areas of London for residential activity.

A breakdown of Marival Moore's gross assets as at June 30 is: residential investment £11.57m; residential development £9.69m; commercisl investment £10.13m and commercial development £8m.

A dividand of 3p is being recommended on earnings per abare of 13.8p (8.5p) pro forma. Net assets per share have risen ot 193.6p (142.8p), reflecting a revaluation of properties.

The chairman looks forward to anothar advance in the current year.

Spong rises to £0.52m

THE EXPANDING Spong Holdings reported pre-tax profits for the 26 months to April 30 1986 of £520,000, compared with a forecast of not less than £515,000 made in March following its merger with Rowland Gaunt, clothing manufacturer. It was achieved on turnover of £18.37m.

In the year to the end of December 1984 there were £499,000 pre-tax profits on turnover of £10.78m. Earnings per 5p share came out at 1.28p against a restated 1.24p.

All the figures includa those of Rowland Gaunt.

There will he no addition to the 0.1p payment made at the end of the 12-month period, hut the directors of this printer and maker of bousewares and filters said there would be a dividend of at least 0.3p for the six months to October 31 1986.

The directors added that it had been a period of significant transformation and that the company was established on a new, strengthened course which would he bringing benefits. The effects would only be reflected in the periods ahead as the group developed its emphasis on consumer products and services.

The tax charge was £94,000 (£85,000), there was an extraordinary credit this time of £4,000 and last time there were minorities of £7,000.

Chambers & Fargus maintains recovery

Chambers & Fargus, Hull-based see dcrusher and edible oil refiner, maintained the recovery seen in the opening balf when it reported pre-tax profits of £200,700 in the year to June 28 1986. In the previous year, the company incurred losses of £166,700 but then came the recovery and at bolfway it swung back with profits of £51,000.

The company pays its first dividend since 1984 with a payment of 1.25p. Stated earnings per 5p share were 3.83p against losses of 2.06p.

Turnover for the year was considerably lower at £17.13m cmopared with £22.35m, and the directors said it was due to the cessation of the full fat soya operations.

JOSEPH HOLT, Manchester-based brewer, reported pre-tax profits for first half of 1986 up from £1.4m to £1.47m on turnover of £4.97m (£4.65m). Earnings per share came out at 30.72p (28.56p) and the directors have increased the interim payment from 3.5p to 4p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Anglo-Eastern Plantations, Antler, Bluebird Toys, Clyde Petroleum, Connells Estates Agents, Oablor, Folkes Group, Invergordon Distillers, Johnson and Jorgensen Packaging, London and Scottish Marine Oil, Macallen-Glenlivet, Octopus Publishing, Scott and Robertson, Sintrom, Spectra Automotive and Engineering Products, Steetley, "The Times" Veneer.

Finals: Murray Ventures, Raglan Property Trust, Space Planning Services.

FUTURE DATES

Interims:

Arbuthnot Dollar Income Trust	Sept. 30
Bronx Engineering	Sept. 29
Falcon Industries	Sept. 30
Ingham (George)	Sept. 29
Kwik-Fit (Tyres and Exhausts)	Sept. 29
Polymark International	Sept. 30
Wankie Colliery	Sept. 26
Wold	Sept. 29

Finals:

Bailey (C. H.)	Sept. 29
Courtney Pope	Sept. 28
FII Group	Sept. 29
Pennine Resources	Sept. 28
Synapse Computer Services	Oct. 1

Canning up 17% and plans to float US subsidiary

BY ALICE RAWSTHORN

W. Canning, West Midlands manufacturer of chemicals, electronics and metals, announced yesterday that it had increased pre-tax profits by 17 per cent to £1.32m in the first half, despite adverse exchange rates and a downturn in its metals division.

The company also unveiled plans to float its US medical services division, Medserv, on the New York Stock Exchange or Nasdaq, the US over-the-counter market, next year. After the flotation Medserv would be capitalised, in dollar terms, at slightly more than Canning itself.

"On the whole we were very pleased with our performance in the first half," said Mr David Probert, Canning's chairman. "We had two major disappointments in exchange rates, which cost us £100,000 in pre-tax profits, and precious metals which were bit by the fall in the silver price. But wa are confident about the outcome for the full year."

In the six months to June 28 Canning's turnover rose to £35.46m (£31.9m). The growth in pre-tax profits was achieved despite redundancy costs of £85,000. Earnings per share rose to 4.7p (3.6p) and the directors propose to pay a dividend of 1.2p (1.15p).

Canning operated as a metal bashing engineering firm until the late 1970s when it lurched into losses. The new management team cut costs in the early 1980s and redirected activities towards speciality chemicals. In recent years Canning has turned its attention to the US where it has diversified into medical services, specifically dentistry.

Chemicals' contribution to profits increased to £1.17m (£1.1m) in the first half. Although the company eliminated losses in its US subsidiary and improved its performance in West Germany, in the UK the falling oil price reduced demand from the offshore oil industry, which provided 20 per cent of profits last year, by half. Canning is trying to counter the decline by widening its product range.

Losses from metals increased to £200,000 (£111,000), despite the completion of a rationalisation programme. The fall in the silver price catalysed the losses although, according to Mr Probert, the price had recovered in the last few weeks and the division should break even in the second half.

Electronic components is still a difficult market although its contribution rose to £245,000 (£218,000). Canning has reduced its holding in HB Electronic Components in the UK to 19 per cent, but will increase its stake in the French subsidiary from 80 per cent to full control.

The contribution from medical services in the US doubled to £387,000 (£188,000). Medserv expanded throughout the first half and has entered into conditional agreement to acquire Inhalation Therapy Services from American Medical International. Once the acquisitinon is completed Canning will finalise plans to float Medserv.

"After the acquisition Medserv will have a turnover of $100m (£68.5m) a year and will employ 3,000 people," said Mr Probert. Canning envisages floating Medserv in 1987 and retaining a controlling interest in the company.

● comment

Having sold itself to the City in the early 1980s as a born again chemicals concern, and in the mid-1980s as an emerging force in the fertile US medical services market, Canning will return to base next year if Medserv is floated in the US. Ostensibly a flotation seems sensible enough. It would at a stroke eradicate borrowings and give Canning enough cash to expand in existing areas of activity. Yet Medserv is the only really dynamic aspect of Canning. Progress in chemicals has been rather sluggish, metals are cyclical and electronic components problematic. Clearing up the balance sheet could, perversely make Canning more rather than less vulnerable to a bid. So, with projected profits of £3.1m for the full year, the prospective p/e of 10.5 on yesterday's share price of 118p looks suitable for the short term.

Trinity hits £4m: UK newspapers a concern

FIRST HALF profits of Trinity International Holdings surged from a depressed £2.67m to £4.28m and shareholders are to receive an increase of 0.8p in their interim dividend to 5p net per 50p share.

And directors said yesterday that barring adverse market forces the papermaking and packaging division looked set to continue its excellent progress for the remainder of 1986.

They added that in North America prospects for the group's tightly-run centres, especially in the enlarged and strengthened Fraser Valley operations, also looked extremely healthy.

Shareholders were told that it was only in the UK newspaper sector, which now produced tha smallest portion of group profit, where a note of caution must be sounded.

The directors said it was essential that the group remained flexible to fight off other, alternetive forms of medie which were now challenging the whole of the established provincial newspaper industry.

They added: "In the relatively depressed markets around Merseyside, further fundamental changes to all aspects of the way the group operated there may well be needed sooner rather than later."

Turnover for the six months to June 28 1986 declined from £42.41m to £41.34m — the group was formerly known as the Liverpool Daily Post & Echo.

Tax rose from £1.15m to £1.58m but there were extraordinary credits this time of £1.89m which left attributable profits at £4.6m, compared with a previous £1.52m.

Earnings worked through 10.6p higher at 24.1p.

During the six months, the group's balance sheet was strengthened by sales of the Catholic newspaper business and the final tranche of Reuters shares.

It was pointed out that the US opeartions were based in highly competitive areas but helped by further single keying efficiencies, produced their best ever start to the year.

Circulation of both daily titles suffered but sales of both the evening and morning papers picked up rapidly as production times stabilised.

David Dodwell looks at the man behind Hutchison Whampoa

The highly predatory entrepreneur

LI KASHING, who has controlled Hutchison Whampoa since 1979 through his master company Cheung Kong, is seen by many as the corporate epitome of Hong Kong.

From a back-street workshop making plastic flowers he has risen in 36 years to head one of the most powerful corporate empires in Hong Kong.

He has risen as a result of a total obsession with business, a seemingly insatiable predatory instinct, and because of a legendary flair for making the right corporate move at the right time.

From his Cheung Kong headquarter office at the top of the China building in Hong Kong's central business district, he heads the territory's second largest property group, as well as the long-established trading group Hutchison Whampoa and the smaller of Hong Kong's two utility companies, Hongkong Electric.

These three groups alone are worth about HK$42bn (£3.69bn), accounting for just under 15 per cent of the total market capitalisation of Hong Kong's stock market.

Largest

Hutchison, in which Cheung Kong holds a controlling 36.6 per cent stake, is now among Hong Kong's largest companies, with a market capitalisation of about HK$18bn.

From its origins 120 years ago in dockyard and shipping operations, Hutchison today has substantial property interests, operates one of Hong Kong's largest retail shopping chains, has diverse trading interests, and operates the territory's largest container terminal.

The controlling stake in Hongkong Electric was acquired through Hutchison in February last year at a cost of HK$2.8bn. In addition, Hutchison acquired a small shareholding in Cathay Pacific Airways when the airline was publicly floated early this year.

Li Kashing also inherited a 25 per cent holding in the South China Morning Post (SCMP), Hong Kong's leading English language newspaper, when he took control of Hutchison from the Hong Kong and Shanghai Banking Corporation in a controversial coup in 1979.

This stake is pertinent to Li's discussions with Pearson because it is known in Hong Kong that the Financial Times has within the last year discussed the acquisition of a stake in SCMP, sufficient to give it control, with the newspaper group's main shareholder, the Hongkong Bank.

Unclear

While it as yet remains unclear what Li Kashing's aims are, analysts in Hong Kong note that it would be quite out of character for this highly predatory entrepreneur to sit on his 4.99 per cent stake as a long term investment in a blue-chip UK company.

If an exchange of assets is being discussed as an alternativa to a simple takeover, then Hutchison's SCMP stake—thought to be worth about HK$500m—is probably seen as a carrot intended to coax out of Pearson those essets Hutchison most keenly wants.

At present, a full bid assault cannot be ruled out. Nor is an amalgamation with Pearson without its attractions to Li Kashing. Hutchison certainly has the resources needed to take up either of these options.

Hutchison carries long-term debts of just HK$2.5bn—giving it a gearing of about 15 per cent—and "almost unlimited borrowing facilities," according to financial advisers CitiCorp.

Observers in Hong Kong at this stage suggest a third and cheaper option may have been discussed—that Li Kashing would prefer to acquire from Pearson those assets Hutchison wants, and leave the remainder of the group intact.

Plausible

This option is plausible in part because Li Kashing is well known to dislike the idea of heavy indebtedness, and in part because contested takeover bids are not part of Hong Kong's corporate tradition.

The territory's Chinese businessmen prefer to agree deals behind closed doors, presenting them to the investing public as a fait accompli, rather than indulge in unseemly public contests for control.

The fact that so many Hong Kong companies are tightly controlled makes such a practice possible in Hong Kong in a way that would be rare in maturer equity markets.

Despite this preference, there is no reason why Li Kashing would not resort to a full takeover battle if necessary. A precedent was set in Hong Kong early last year when Sir Yue-Kong Pao, who heads the property group Hongkong Kowloon Wharf and Godown, fought against Mr Khoo Teek Puat, a prominent Singaporean businessman, for three months to win control of Wheelock Marden.

Base

In Hong Kong, the group is remaining coy about its next move. Mr Philip Tose, who heads the CitiCorp team acting as financial advisers to Hutchison, noted yesterday: "At this stage, there are a lot of options open to us."

It has been clear for more than a year that Hutchison is in search of a suitable acquisition outside Hong Kong. Managing director Mr Simon Murray has made much of the fact that the group last year committed HK$12bn to investments in Hong Kong, and has reached a point where further expansion must occur overseas.

While emphasising that the group's base would remain in Hong Kong, he says he wants to reduce dependence on the territory to about 75 per cent of group earnings by the end of the decade. At present, the emount earned overseas is negligible

In March this year, he said the group was looking in the US and the UK, wanted to acquire a prosperous and well-managed company rather than one that needed surgery, and was keen that the target company should have interests in common with those of Hutchison. Pearson seems well qualified on all of these counts.

Symbol

A close encounter with Li will reveal that his simple quartz watch is set to run eight minutes fast. Not seven or nine minutes, but eight: "I don't like to arrive late for meetings, Li quips with anyone forward enough to ask why.

What he does not note is that among the deeply superstitous Cantonese, the number eight is also a potent symbol for making money. Such a gesture is one hundred per cent appropriate to Li Kashing, who over the past 35 years has made a fine art out of making money.

There is no reason to believe that his foray into the Pearson camp will provide any exception.

Sale Tilney hits £1.55m

Sale Tilney raised its profits from £1.37m to £1.55m pre-tax in the six month ended May 1986 turnover £4.94m ahead at £38.03m.

The technology and financial services sectors produced excellent results and the newly-acquired companies, which have not yet contributed to profits, are performing well up to expectations.

Despite harsh conditions for the food manufacturing company, the directors said they were anticipating an overall satisfactory result for 1986 as a whole.

First half earnings improved to 6.7p (6p), and the interim dividend is being lifted from 2.5p to 3p net.

Travis & Arnold improves 25% at half-way stage

THE IMPROVED performance at its Kennedy subsidiary helped Travis & Arnold to increase pre-tax profits in the first half by 25 per cent from e depressed £3.62m to £4.51m.

The board said the result, in the six months to June 30 was also helped by steadily increasing activity in the housing market, aided by good mortgage availability at stable rates.

Turnover at the builders' and plumbers' merchants and timber importer rose by 34 per cent from £61.24m to £82.06m. There was a £31,000 profit on the sale of properties, compared with nothing last year. Investment income fell to £244,000 (£694,000).

Kennedy's building supply outlets, the subsidiary's core area, improved their contribution, but, Travis said, had further to go before achieving the required level of performance. Kennedy's garden centres business had continued to perform well.

Earnings per share in the period under review increased by 29 per cent from 12.6p to 16.3p after a tax charge of £1.64m (£1.46m). A one-for-one scrip issue is being proposed. The interim dividend is being increased 10 per cent from 1.95p to 2.15p.

Travis said the outlook for the market in the second half remained encouraging.

Gabicci lifts profits 16%

Pre-tax profits up 16 per cent to £851,000 are reported by Gabicci in the year ended June 1986. Sales were up 59 per cent from £6.11m to £9.69m.

Gabicci—its shares are traded on the Unlisted Securities Market—designs, imports and supplies casual menswear.

Of current trading, Mr Jack Sofier, the chairman, said that delivery and sales for the coming Autumn were ahead of last year. The Gabicci spring 1987 collection was considered to be its best ever as indicated by the orders received.

He said the trading pattern of the group, together with those subsidiaries which were also contributing for the first time, meant that he was optimistic of even better news for the current year.

The final dividend is raised from 1.9p to 2p net for a total of 3p (2.8p).

Metalrax shows better margins

Improved margins were achieved by Metalrax Group, Birmingham-based engineering specialist, in the first half of 1986, and Mr John Wardle, the chairman, said yesterday that the second half was likely to show a similar pattern.

The pre-tax result for the period came out 18.7 per cent ahead at £1.85m on turnover 5 per cent up at £18.03m. Last time pre-tax profits showed a similar 19 per cent improvement to £1.55m but there was a 22 per cent improvement in turnover to £17.17m.

The interim dividend is raised from an adjusted 0.6364p to 0.73p. Earnings per 5p share are shown up from 2.54p to 3.28p.

After tax of £669,000 (£641,000), and total dividends absorbing £266,000 (£232,000), retained profits came out £229,000 ahead at £910,000.

MANAGEMENT : Small Business

EDITED BY CHRISTOPHER LORENZ

Stephen Ives: putting business school lessons into practice

A philosophy to beat the odds

Laurie Ludwick reports on Torus Systems

STEPHEN IVES is passionate in his commitment to the American business ethos, which assumes that determined, market-driven individuals will sooner or later achieve financial success.

On his monthly visits to the US, the 28-year-old co-founder of Torus Systems, the Cambridge-based office automation company, receives an injection of the entrepreneurial spirit he first encountered while studying for his MBA at the Wharton School of Business, in Philadelphia.

"I learned the US attitude which says you can beat overwhelming odds and get just about anything done." This dose of American positive thinking enebles Ives to confront the challenges facing a company which bas just lost one-fifth of its UK retailing outlets in the past year, es they succumb to the pressures of a fiercely competitive market. Torus is now struggling to forge direct marketing links with corporate customers without antagonising the retailing dealers it bas remaining, while at the same time attempting to bring its management to a new and more professional stage

Ives founded Torus with Stephen Jolley, a fellow Cambridge greduate, in 1983. As managing director, Ives transformed the company from a six-person enterprise in e Hampstead flat, with sales of £377,000, to e 50-person company which competes internationally and achieved sales of £2m in 1985.

When Ives was 20 — s second-year biochemistry student—his father died, and be was forced to run the family botel in London, alone, and in between classes, before it could be sold. The experience toughened bim.

After graduating from Wharton, Ives spent a year as e management consultant with the US management consultancy Strategic Planning Associates, in Wasbington D.C. It was during this period that Ives approached his American role model Mitchell Kapov, the almost legendary founder of Lotus Development, the US software group, for advice on bow to plunge into the thriving personal computer software market. At the time Ives was 24—a novice user of personal computers, but a pro et analysing businesses.

Armed with a slick business plan and reasonably polished marketing skills, be borrowed the initial £75,000 for prodnct development from Barclays.

Torus Icon and the more recent product, Tapestry, are user-friendly local area networks wbich enable IBM PCs to communicate and to share resources such as printers, *disk drives end software.*

"It was a business born of naivete and unrealistic expectations sbout what we could do," says Ives, who believed Torus could develop, manufacture, and market its first prodnct—Torus Icon—and still be in a positive cash position within nine months.

Not until 1985—two years after start-up—did Torus show its first profitable trading results, with pre-tax profits of £189,000 on sales of £2m, up from e loss in 1984 of £340,000 on turnover of £377,000.

Product development alone took six people e year-and-a-half of 18 hours e day. It was a period wben Ives wrote marketing plans, calculated break-even points, and made coffee—anything and everything, as long as his development team was protected from outside interference.

The timing was perfect. Seven months after Torus Icon was launched in the UK, Torus signed an international distribution sgreement with IBM, which needed Torus's software to run on its own PCs because it was behind schedule in developing its own network.

"It was our single biggest break because with IBM behind us, Torus immediately had the stamp of quality," be says. The distribution agreement signalled Torus's new international orientation, with IBM distributing Torus products through Europe, in the Middle East and Africa.

Torus' short history reads like one of the cases Ives might have *studied in policy class* at Wharton: identify market niche, develop long-term plan, watch the cash flow, and growth will follow.

The principal challenge facing Ives in stage 2 is delegating. Ives recognises that be must build strong departments in R & D, marketing, and finance in order to develop a cohesive organisation which is capable of sustaining long-term, steady growth.

Although Ives believes be can identify talented people to do the jobs, he admits be must fight against the temptation to interfere with new people in the belief that be could do the job better.

Torus has recently implemented a "new directions" programme, a reorganisation of several of the company'e key functional areas in response to the rapidly changing market.

A key priority for Ives now is pushing through a cost-cutting programme, so that Torus can protect its cash balance of £600,000, which the company set aside as a nest-egg from the £1m equity financing it received from Investors in Industry (3i), in mid-1985.

"It's become e problem for us because our profits are under pressure," be explains, referring to the weakness of the dealer channel which now threatens Torus's sales. In the past year or so, Torus has lost 20 per cent of its sales outlets, from dealers who have either gone out of business, or are in the process of reorganising as the *software market becames* more competitive.

Confronting such challenges means that new products must constantly be developed. And Ives is now spending more of his time using the report writing skills he developed at Wharton in producing slick marketing presentations for customers and OEM dealers.

Torus is on the verge of announcing the second generation of Icon and Tapestry. Although the prototype will not be finished until December, Ives is starting to market the new versions this month.

But the marketing challenge extends beyond new product launches. Ives is instigating a reorganisation of the company's marketing functions to reacb the bigger, corporate clients, who procure software through a centralised MIS department and require close contact with the manufacturer. Torus is re-evaluating the place of third party dealers in its marketing strategy at the same time as many of those dealers are facing losses and closure.

But Ives admits that pushing through the change with his marketing staff is not an easy task.

"It was *exhausting,*" *says* Ives. "We spent two years building our dealer channel, and we're searching within ourselves to make sure that we re-direct marketing efforts to larger corporstions while maintaining the loyalty of our dealers."

Ives is now looking at international markets—especially the US—as the route to achieving long-term growth. Although be confidently predicts that local area networks will be the backbone of future corporate information systems—"as ubiquitous as a telephone in the office"—he wants to penetrate large corporations and supply bigger, and even multiple, networks. Ives believes the UK offers a limited capability for this kind of growth.

Of Torus's £2m sales in 1985, 70 per cent were made in the UK and Europe. Ives desperately wants to change that, and is focusing more attention on the US subsidiary and on organising sales conferences in major metropolitan areas.

Ives estimates that launching a new product costs abont £1m, which inclndes £400,000 for product development, and £600,00 for one year of marketing. He believes the UK market is simply not big enough to allow Torus to recoup its investment.

"It's an enormous challenge for us," says Ives. "We don't have the resources for a US nation-wide roll-out; yon would need at least $5m for that. But we can grow incrementally and *slowly. And we're looking to* the US to do that."

Seedcorn finance from Cambridge and 3i link

A COMMON criticism of British venture capital is that the supply of vital seedcorn finance is drying up because of the increasing sums being sucked into less speculative areas.

Certainly, the evailsbility of cash for projects needing to be worked np to the stage where they can be turned into start-up ventures is thin. A mere half dozen or so funds admit to specialising in this field. Last year, for instance, members of the British Venture Capital Association put just 12 per cent of their £325m overall investment into start-ups, down from 18 per cent of the total in 1984—and seed finance represents only e small proportion of that.

However, a small measure of comfort has emerged for those who worry that venture capital is not paying enough attention to the seeds of tomorrow's growth companiea. It comes in the form of a link-up announced last week between 3i, the small *firms' equity funding specialist,* and Cambridge Venture Management (CVM), a management consultancy for small, mainly technology - related businesses.

3i's Cambridge office is offering to provide slugs normally of between £5,000 and £10,000 for projects to which CVM will apply its management skills. "We would expect to work them up over e period of months to a stage at which 3i will consider e full investmant," says Devid Hartland, one of CVM's nine-strong management team.

The main reason why seedcorn money is barder to find than any other kind of venture capital is that pre-start-up projects tend to obsorb an inordinete amount of their backers' expensive management time with little prospect of a quick payback. Moreover, the ventures concerned usually cannot afford the fees charged by managers of the calibre they need.

CVM is aiming to get round this problem by taking part of its fee in share options in the ventures it is advising. It has already been doing this for the 18 small consultancy clients it bas picked up since starting business two years ago. Typically, it builds up equity holdings of betwen 2.5 per cent and 10 per cent, with the idea of cashing in on a flotation or takeover.

This way, says CVM, management fees for projects taking part in the 3i scheme will be around 30 per cent or 40 per cent of normal consultancy rates. Philip Langston, manager of 3i's Cambridge office, explains: "The idea is to try to attract projects that might not otherwise see the light of day and whicb might be too small for us to hsve the resources to work on ourselves."

CVM is looking for technology-based proposals, ideally near enough to Cambridge for its staff to keep in constant touch, witb st least weekly visits. Led by Bob Gilkes, former managing director of UCSL Microsystems, a Unilevsr computing subsidiary, the team also includes former directors of mechanical engineering ventures and an accountant in the shape of Charlie Brown, who came to CVM after six years running a venture capital unit for Robson Rhodes.

The cash is to be used for prototype development, feasibility studies and market surveys, leading to the preparation of a business plan.

Details from CVM, Unit 136, Cambridge Science Park, Milton Road, Cambridge CB4 4GD.

William Dawkins

In brief . . .

THE Innovators' Handbook, recently published by the University of Bath's School of Management, is among the fullest reference sources available for technology ventures seeking outside financial or technical belp.

This 450-page tome is the result of five years of research at the school into bow companies identify and use partners to help in prodnct development or in overcoming technical problems. The research highlighted the difficulties that many ventures *encountered in finding suitable* contract research, licensing or other specialist bodies in seeking to overcome such hurdles.

While useful to anybody seeking outside help for innovation, the book will be most valuable to companies which have had little contact with technology development and need to import expertise. Each chapter includes papers by practitioners in these fields, describing the advantages and pitfalls of using external expertise in their areas. There are also directories of more than 500 specialist organisations.

Copies are £68 from Annabel Trechmann, School *of Management, University of* Bath, Bath BA2 7AY.

Checking up on customer credit

Martin Posner continues his series on exporting

"NO, I DID not get a credit report; I just thought that they would pay." Too many exporters fail to check their overseas customers' credit worthiness, only to end up in trouble. It is exciting for e small business to receive an order from an unknown buyer sbroad, but its customer's commercial background must be cbecked before any contract is signed.

At first sight, the number of details that need checking can seem intimidating. They include the contractual and commercial laws of each country, including arbitration practices. The legal status of each type of company must be understood, as must the powers held by individual directors, managers or partners to make contracts and their responsibilities for payment.

However, it is possible to cover all this groundwork without too much fuss by making informed use of banks and international credit bureaux. A credit report should at the very least consist of a clear legal definition of the customer, his business activity, credit-worthiness and payment performance, drawn from previous suppliers' experience. Reputable credit bureaux will state the age and experience of the management, and if there have been any recent personnel changes. It is worth bearing in mind that credit reports can be several months out of date, so e follow-up telephone call to the customer might be needed to clear up any doubts.

Turning to the financial strengths of the business, if accounts are available they should be scrutinised with extra care because eccounting conventions vary dramatically between different countries. It is also important to confirm the date of the eccounts, as the customer'e business fortunes might have changed since the figures were published.

Although no two businesses are alike, poor payment history is the main sign of danger. A poor credit record need not necessarily force you to abandon the contract, but it should be considered wben deciding on payment terms, bank financing, forward buying of currency, shipping and credit insurance.

Getting the right information *partly depends on going to* the right credit bureau. Different *agencies have their own special* areas. Here is a selection.

ATP International Amalgamated Trade Protection, tel 01-202 8212. This agency, founded in 1940, can obtain reports from 190 countries. Prices of reports depend on market and speed required.

The British Mercantile Agency, tel 01-302 2522. This agency, establisbed in 1855, has built up expertise in paper, photographic, publishing, textiles and pharmaceuticals. Reports cost from £25 to £70.

Commercial Credit Consultants, tel 051-207 57 77. This egency, established over 10 years ago, bas five branches. They have a network of correspondents in the EEC, US, the Middle East, South Africa and Australia. Reports cost from £40.

Dun and Bradstreet, tel 01-377 4377. This agency, establisbed in 1841, can obtain reports from over 250 countries via their 800 worldwide offices. Its computer data-base bolds 15m company reports. Critical information is available on 20m companies. Reports cost between £10 and £122 depending on the amount of information.

Trade and Commercial Credit Corporation, tel 01-247 4216. This company produces cofidential in-depth reports for shipping, financial, banking and insurance services, and industrial credit. Prices are from £250 upwards.

More detailed information on your overseas customer can be obtained by contacting bis own domestic bank. Banks tend to be much more forthcoming about client's credit-worthiness than would be expected from e British equivalent, except in e few odd cases like Switzerland. As a courtesy the customer should be edvised that his bank will be contacted.

The following textbooks have sections on credit bureeux, interpreting everseas financial deta, translation of accounting terms, export finance, payment terms and documentation. "Export Credit" by H. Edwards, Shaws Linton; "Credit Management" by R. M. V. Bass, Business Books; and "Credit Management Handbook" by H. Edwards, Gower Press.

The next article will examine aids to marketing overseas.

Martin Posner is a credit management consultant.

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CHEMICAL MANUFACTURING SITE WANTED

NORTH WEST ENGLAND
5 TO 10 ACRES
Must have buildings suitable for installation of reactors up to 5,000 gallon. Will consider site with redundant plant requiring removal or going concern with space for installation of additional plant.
Reply in confidence to:
Box F6809, Financial Times
10 Cannon St, London EC4P 4BY

FOR SALE THE BUSINESS NAME OF XXXXX TRUST LIMITED

an exceptional Trading Name
Price required £25,000 ono
Write Box F6805, Financial Times
10 Cannon St, London EC4P 4BY

WINE TRADE

Publicity consultants with brief to develop unique Wine Bar concept on franchise basis would welcome discussions with *shipper/importer* interested in own label/sole supplier arrangement.
Write Box F6796, Financial Times
10 Cannon St, London EC4P 4BY

CASH FOR GROWTH

Expanding your business?
We can help
sort out your business plan and forecasting problems, then identify the most likely sources of finance
Call IBL on 01-583 2553

BUSINESS CAPITAL

Enquiries considered from UK/EEC businesses seeking expansion capital or acquisition financing in excess of £100,000
Contact:
INTERFUND FINANCIAL GROUP
Highley Manor, Crawley Lane
Balcombe, Sussex RH17 6LA
Telephone: 0444 811711
Telex: 295141 (TX LING G)
Attn-MBX 0148-10446

Conferences

THE CHANGING LEVERAGED BUYOUT SCENE

A 2 day conference
6/7 October 1986
includes workshop sessions on Financing, Negotiation and Tax
For details contact:
Fiona Pink
Business Research International
57/61 Mortimer Street
London W1N 7TD
Tel: 01-637 4383
Telex: 8958007 IIR LON G

Businesses for Sale

Humberts Leisure

PRIME HOLIDAY LETTING COMPLEX

Wylye Valley—Salisbury 20 miles.
★ Listed Period Manor converted to 11 well equipped flats and cottages.
★ Outstanding setting, grounds and swimming pool.
★ *Touring* Caravan Site.
★ Suitable also for institutional use with consent for further development.
About 2½ Acres in all.
For Sale Freehold as a Going Concern
Details: London Office, Tel: 01-629 6700 and Shaftesbury Office, Tel: (0747) 3492

Medical Product MANUFACTURER

The Joint Administrative Receivers of
CDM PLASTICS (KEW) LIMITED
Manufacturers and suppliers of medical products using approved facilities
(OHSE Class III Clean Room)
Employing fabrication moulding and extrusion techniques
Annual turnover circa £600K
To include freehold and leasehold premises situated in Mildenhall, Suffolk
Plant and equipment and order book
Apply:
D.R.F. SAPTE AND A.P. LOCKE
BEGBIES - CHARTERED ACCOUNTANTS
3 Raymond Buildings, Gray'sInn, LondonWC1R 5BH
01-405 1274

MARKET LEADER

(Construction Services Industry)

Private company with strong asset base and extensive interests in the provision of temporary buildings and weather protection facilities throughout the UK, Europe and Canada would like to negotiate the sale of the business.

The company could be of interest to a larger group already established in the scaffold/construction services or a company considering further diversification/acquisition.
Turnover £1-£2 million. Principals only.

Write Box H1244, Financial Times
10 Cannon Street, London EC4P 4BY

North London Publishers

The company has been established for 14 years and specialises in the publication of socially concerned works. There is a comprehensive catalogue, detailing over 200 titles presently in print.
Turnover is approximately £750,000 per annum and there is potential for expansion and increased profitablity. Offered for sale are the office fixtures and fittings, stock and work in progress and world-wide publishing rights.
For further details please contact David Gilbert or Stephen Franklin, Levy Gee & Partners, 100 Chalk Farm Road, London NW1 8EH.
Telephone:01-267 4477.

Levy Gee

CITY PRINTERS/STATIONERS

Long established company providing printing and office services to a professional blue chip clientele. Turnover approaching £1.5m and very profitable. Considerable scope for increase in both areas of activity. Owner divesting this business to concentrate on other major interests.
Write in the first instance to:
John Polmear
DAVID GARRICK
39 Queen Anne Street
London W1M 9FA
Tel: 01-486 8142
Telex: 8954102
BBSLON G
The Professionals in buying & selling companies

Business Services

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Incorporation and management in UK, Isle of Man, Channel Islands, Turks, Panama, Liberia, Gibraltar, Hong Kong, etc. Domiciliary and nominee services.
SELECT CORPORATE SERVICES LTD.
3 Mount Pleasant, Douglas, Isle of Man
Tel: Douglas (0624) 23718
Telex: 628554 SELECT G
London representative:
2-5 Old Bond St.,
London W1
Tel: 01-493 4244
Telex: 28247 SCSLDN G
SCS

MD/FCA

Well connected, with considerable experience, wishes to undertake CONSULTANCY ASSIGNMENTS involving Acquisitions, Disposals, Mergers, Reconstructions, etc Could also act as company doctor
Write Box F6807, Financial Times
10 Cannon St, London EC4P 4BY

LIMITED COMPANIES

FORMED BY EXPERTS
FOR £121 INCLUSIVE
READY MADE £121
COMPANY SEARCHES
EXPRESS CO. REGISTRATIONS LTD
Epworth House
25-35 City Road, London EC1
01-628 5434/5, 7361, 9936

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OFFICE EQUIPMENT

EXCLUSIVE ITALIAN RANGE
Of executive and operational Office Furniture.
Many finishes in natural wood veneer and bi-laminate
Exceptionally good terms and substantial discount
For further details contact:
0920 67019

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20 SETS OF ROSEWOOD FURNITURE
Boardroom Tables - Reception Furniture - Fire Resistant Cabinets
Tel: 01-549 9339

Plant and Machinery

SALE OF SECOND HAND FORK LIFT TRUCKS—All leading makes in stock including container stuffers, electric, diesel or gas. All ready for immediate work. Inspection invited. Export enquiries welcomed. Price list sent on request. No reasonable offer refused. Birmingham Fork Lift Truck Ltd., 4-8 Hams Road, Saltley, Birmingham. 021-327 5944/5. Telex: 336723.

Courses

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Official French Government Establishment
Native French Teachers—
High quality courses
COMMERCIAL AND BUSINESS FRENCH
START 29 SEPT
Also: General Language and Specialised courses — Discussion groups—Degree in French studies
Details:
14 Cromwell Place
London SW7 2JR
IFL Tel: 01-589 4211, Ext 42
01-781 2701, Ext 21

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THE CITY UNIVERSITY BUSINESS SCHOOL

OCTOBER COURSES

Schedule E—The Inland Revenue Offensive 8 October
Effective Presentation for the Busines Executive 8-9 October
Negotiating Medium-Term Loan Agreements 14 October
Recent Developments in International Finance 15-16 October
Economics for Dealers 20-24 October
Business Payment Practices 23 October
VAT Seminar 24 October
Developing a Computer Strategy 30 October

For further information please contact:
Sarah Prowse, Marketing Manager, Management Development Centre, City University Business School, Frobisher Crescent, London EC2Y 8HB
Tel: 01-920 0111 ext 284

Franchises

OUTSTANDING BUSINESS OPPORTUNITY WITH UK PUBLIC COMPANY

Appleton Holdings plc is an established and successful British based marketing incentive company — the leader in its field in the holiday and leisure industry.
Our unique concept provides FREE ACCOMMODATION for up to two weeks in a luxury hotel and is a major attraction for companies requiring customer and staff incentives.
Appleton Holdings now intend to extend their successful UK operation and are poised for a major expansion throughout Europe and Scandinavia. We are therefore inviting applications from potential franchisees in all these countries, excluding the UK, on an exclusive basis. All franchisees are given thorough and extensive training plus full marketing support.
If you feel that you would like to become part of this proven and successful industry and share in our major expansion plans, please write for full details to:
The International Franchise Manager
APPLETON HOLDINGS PLC
13 Carlisle Road, London NW9 0HD - Telephone: 01-200 9555

Business Wanted

FOOD PRODUCTS COMPANY SOUGHT

Our client is seeking to expand by acquisition of a company engaged in the manufacture of ingredients or packaging products for food manufacturers.
The company's products could include flavourings, syrups, processed fruits, or food containers. Alternative activities could include specialist baking and confectionery.
Turnover range £1m to £5m.
Interested parties please contact:
Ian Nelson, Ernst & Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Telephone: 01-928 2000. Fax: 01-928 1345. Telex: 885234 ERNSLO G.

E&W Ernst & Whinney
Accountants, Advisers, Consultants

Nursing Home/Retirement Home business required

BY SUBSTANTIAL PUBLIC COMPANY
Substantial Nursing/Retirement Homes or preferably groups of Homes with or without management are required in the UK. Preference given to the South of England but other areas of the country would be of interest dependent on the size of the business and present management. Consideration can be paid in cash, shares, loan stock or a mixture of all three. Please note that single homes containing fewer than 25 bed spaces would not be of interest.
Please write or telephone to:
The Managing Director
GABLE RETIREMENT HOMES LTD
239 Regents Park Road, Finchley, N3 - Tel: 01-349 3111
All replies will be treated in the strictest confidence

IRON FOUNDRY WANTED

We are a medium-size, profitable foundry looking to expand and diversify its product range through acquisition. The ideal company must have a turnover of £½ million to £5 million and be engaged in the manufacture of castings within a weight range of 500 kilos to 10 tonnes.
All replies will be treated in strict confidence.
Please reply to: Box H1246, Financial Times
10 Cannon Street, London EC4P 4BY

MEDICAL PRODUCTS

SABRE
We are a manufacturer and distributor of disposable needles, syringes, scalpels and other medical products. We make injection moulded plastic items and also provide sterilisation services using in-house irradiation. We are interested in widening our product base through the acquisition of related companies with minimum sales of £1m. We can offer managerial and technical support as well as an opportunity for the seller to realise capital.
Please contact in strict confidence:
Mr. Leon Cohen, Managing Director,
SABRE INTERNATIONAL PRODUCTS LIMITED,
Manor Farm Road, Reading, Berkshire RG2 0LQ.
Telephone: (0734) 876111.

PACKAGING

A substantial privately owned Packaging Machinery manufacturer wishes to acquire similar companies, preferably with a proven product range, servicing the food, chemical, pharmaceutical and cosmetic industries. Turnover to be not less than £500,000.
All replies, which will be acknowledged and treated in the strictest confidence, to:
MESSRS. SHAKESPEARE DUGGAN LEA & CO,
43 Cannon Street, Birmingham B2 5EQ
Reference CJBF

WANTED
UK RUBBER COMPANY

Rubber mixing and/or moulding
Turnover £2m-£6m with capacity to absorb additional £2m
Write Box H1242, Financial Times
10 Cannon St, London EC4P 4BY

CONTRACT HIRE AND LEASING

We are interested in the purchase of Contract Hire and Leasing Companies
Please write to:
Box H1243, Financial Times
10 Cannon St, London EC4P 4BY

MAJOR FIRM

Involved in Insurance Broking, Life Assurance, Unit Trust Advisory Services, Pensions and Benefits Consultancy
Seeks Acquisitions
Commission/fee income between £250,000 and £5m pa considered
Write Box G10280, Financial Times
10 Cannon St, London EC4P 4BY

WANTED—Major Industrial Plc wishes to acquire for cash Private Packaging Company, valued at up to £5m. Contact Robin Whalley & Associates Ltd., 1 Carrick House, Carrington Street, London W1Y 7LF.

SMALL PLC REQUIRED

FOR REVERSE TAKEOVER BY PRIVATE PROPERTY GROUP
Considerable assets and profits to inject. Existing businesses need not be property orientated
Apply Box H1203
Financial Times, 10 Cannon St
London EC4P 4BY

HIGHLY PROFITABLE MOTOR GROUP

T/O £23m
seeks further acquisitions of profitable motor or motor related businesses
PLC MERGER CONSIDERED
Reply Box H1162, Financial Times
10 Cannon St, London EC4P 4BY

COACH HOLIDAY

Companies wanted preferably in the South but other locations considered.
Write Box H1231, Financial Times, 10 Cannon Street, London EC4P 4BY.

Businesses for Sale

THE CHAMPIONS CHOICE IN CYCLES

ammaco

Investment partner sought for this manufacturer of leisure bicycles.

- Reputable brand name and dealer penetration
- Outstanding competition success, with current world lightweight racing champion and successful BMX team
- Marketing and design skills
- Projected turnover £2 million
- Potential for profitable expansion, including export
- Working capital required to exploit market demand

Interested parties please write in confidence quoting ref PI giving details of financial position to:

S J Patey, Corporate Acquisitions and Disposals Service, Coopers & Lybrand, Plumtree Court, London EC4A 4HT.

CADS

Coopers & Lybrand

SHELDONHURST LIMITED

Vintage Car Kits

Opportunity to acquire the business of the manufacturer of replica vintage car kits and assembled models. Currently based in Tyseley, Birmingham, but location can be changed.

- 4 fully developed models
- established foreign agencies
- experienced workforce

Assets for sale include plant and machinery, stocks and work in progress and manufacturing right.

Interested parties should contact:

Coopers & Lybrand

Adrian R. Stanway, Coopers & Lybrand, 43 Temple Row, Birmingham, B2 5JT.
Tel: 021 233 1100
Telex: 337892

Folding Box Carton Manufacturers

The Joint Administrative Receivers of

CHARTMORE LIMITED

Manufacturers of short and medium run Folding Box Cartons Offer For Sale the Business and Assets situated in St. Albans, Herts. to include Leasehold Premises, Cutting and Creasing, Glueing and Window Patching Machinery and ancillary equipment. Apply: D. R. F. Sapte and A. P. Locke

Begbies, Chartered Accountants

3 Raymond Buildings, Gray's Inn, London, WC1R 5BH. 01-405 1274

PORTABLE ACCOMMODATION

HIRE, SALES, MANUFACTURE

LIMITED COMPANY FOR SALE

Established 12 yrs. Assets include: 330 unit fleet, freehold site, 2 branches
Turnover £950k - Profit £105k

Enquiries by 30th October 1986 stating name of interested party to: *Box H1238, Financial Times, 10 Cannon St, London EC4P 4BY*

ISLE OF MAN

BUTCHERS BUSINESS

with 6 retail shops and cutting room/factory

Major contracts with Government and the hotel trade. Premises offered with 21 year lease. Full management structure. Offered for sale due to impending retirement of owner. Income Tax—20%

PRICE: £240,000 for the leases, goodwill, fixtures and fittings S.A.V.

CHRYSTAL, Chartered Surveyors, Bowring Road, Ramsey 0624 812236

LONDON BASED SHOP FITTING AND REFURBISHMENT CONTRACTOR FOR SALE

QUOTED PLC WISHES TO SELL ITS WHOLLY OWNED LONDON BASED SHOPFITTING AND REFURBISHMENT CONTRACTOR

Write Box H1234, Financial Times, 10 Cannon Street, London EC4P 4BY.

TELECOMMUNICATIONS COMPANY

South Midlands Company, with freehold premises for sale. Range of products with good profit margins. Turnover £200k + with excellent expansion prospects. Write Box H.1240, Financial Times, 10 Cannon Street, London EC4P 4BY. Principals only please.

INDEPENDENT

GREYHOUND TRACK

FOR SALE

Location North Midlands, excellent running track, own computerised tote, first class bar, fast food bar. Information on previous year's turnover, etc. Thorpe Vernon & Company, Certified Accountants, 50 Lichfield Street, Wolverhampton WV1 1EN.

Welsh Quality Lambs Limited In Receivership

For Sale

C&L

Freehold Abbatoirs at:—

	Weekly (single shift) Lamb capacity
Builth Wells, Powys	6,000
Merchwiel, near Wrexham	3,500
Henllen, Clwyd	3,500

Henllan also has a boning and cutting facility.

Administration offices and seperate butcher's shop at Aberystwyth, Dyfed.

For further information contact:

H. G. Jones, J. P. Considine or K. N. K. Willmott
CORK GULLY
Chartered Accountants
Churchill House
Churchill Way
Cardiff CF1 4XQ
Telephone: 0222 40516
Telex: 497832 COLYCF G
Fax: 0222 398913

Cork Gully

Trulo Spectater Sports Limited

(In Receivership)

C&L

The business and assets of the above company are available for sale on a going concern basis. The company is the largest private swimwear manufacturer in Great Britain and is located in Poole, Dorset.

The business includes:

—26,000 sq. ft. leasehold premises
—major retailer and mail order house customers
—substantial order book, both home and overseas
—turnover of £2.2 million

For details please apply to the Joint Administrative Receivers:

J. M. Iredale and C. J. Barlow
Phoenix House
Station Hill
Reading
Berks RG1 1UN
Tel: 0734 500336
Telex: 848588
Fax: 0734 508166

Cork Gully

DEPARTMENT STORE

Haywards Heath, Sussex

* Prime site — main shopping thoroughfare
* Leasehold premises
* Retail space 20,075 sq. ft.
* Storage and offices 8,000 sq. ft.
* Turnover £1.3 million

For further details please contact the joint administrative receiver:

Roger Oldfield
Peat, Marwick Mitchell & Co.
1, Puddle Dock, Blackfriars
London EC4V 3PD
Telephone: 01-236 8000 ext. 3097
Telex: 8811541

PEAT MARWICK

FREEHOLD GARAGE

Haywards Heath, Sussex

* Prime freehold location
* Car showroom 1,900 sq. ft.
* Fully-equipped repair workshop
* Petrol forecourt
* Turnover £5.4 million

For further details please contact the joint administrative receiver:

Roger Oldfield
Peat, Marwick Mitchell & Co.
1, Puddle Dock, Blackfriars
London EC4V 2PD
Telephone: 01-236 8000 ext. 3097
Telex: 8811541

PEAT MARWICK

Manufacturer of Precision Tools In Plastics and Specialised Moulding Machines

Fox and Offord Limited

The Joint Administrative Receivers offer for sale the assets and business of the above company which trades from premises in Newtown, Birmingham.

Principal features comprise:

* Annual turnover of approximately £500,000
* Established for over 60 years
* Skilled workforce of 20
* Fully-equipped freehold premises

For further information please contact the Joint Administrative Receivers:

Alastair Jones or Mark Hopton
Peat, Marwick, Mitchell & Co.
45 Church Street
Birmingham B3 2DL
Telephone: 021-233 1666
Telex: 337774
Fax: 021-233 4390

PEAT MARWICK

NATIONAL DISTRIBUTORS AND EXPORTERS OF AUTOMOTIVE AND MACHINE PARTS

The Joint Receivers and Managers offer for sale the goodwill and business assets of two companies engaged in the above trades. The automotive parts distributor imports parts for Japanese cars for wholesale on a national basis. The other company exports UK automotive parts mainly to Iran. Combined turnover of the business in excess of £3m per annum.

Three further subsidiary companies not in Receivership are also offered for sale. These are involved in exporting heavy machine parts and some parts for earth moving equipment, trading with the Far East and graphics printing respectively.

For further details contact the Joint Receivers and Managers:

Maurice Withall and Ian Williams
Grant Thornton
Fairfax House
Fulwood Place
London WC1V 6DW
Tel: 01-405 8422 - Telex: 28984 - Fax: 01-405 1186

Grant Thornton
CHARTERED ACCOUNTANTS

J. G. Tuxford Holdings Ltd and subsidiary companies

The Joint Receivers offer for sale the business, assets and goodwill of the above group of companies which operate as roofing contractors from premises in North Wales, Chester and London.

The group has a turnover in excess of £1.5m and employs 50 people in addition to experienced sub-contractors.

For further details contact the Joint Receivers: David Rowlands and Allan Griffiths, Grant Thornton, 1 Stanley Street, Liverpool L1 6AD. Tel: 051-227 4211. Telex: 627823. Fax: 051-236 3429.

Grant Thornton
CHARTERED ACCOUNTANTS

FIRE PREVENTION BUSINESS

Long established manufacturers and distributors of unique product sold to comply with the Fire Protection Act
Pre-tax gross profits c £35,000

Write Box H1250, Financial Times
10 Cannon Street, London EC4P 4BY

DISTRIBUTION OF FOOD PRODUCTS TO SPECIALTY RESTAURANTS

Well established and very profitable real distributor servicing niche market in London and the Home Counties. Sales exceed £3 million of which 60% is chicken. The business provides an excellent base for geographic or product expansion.

Strong management team is prepared to continue under new ownership. Present owners wish to divest to concentrate on property interests.

Write in first instance: John Polmear
DAVID GARRICK
39 Queen Anne Street
London W1M 9FA
Tel: 01-486 8142
Telex: 8954102
BBSLON G

DG

CHELTENHAM

A Furnishing House of Distinction

A unique and profitable retail outlet with exclusive fabric and wallcovering agencies. Leasehold premises (23 yrs.) with executive flat in quality shopping area.

T/O approaching £300,000 p.a.

Financial details from:
H. R. J. Grant FCA
Victoria Square, Droitwich
Worcestershire

FOR SALE

ENGINEERING COMPANY

situated in LINCOLNSHIRE

Manufacturers and designers of specialised machinery for the vegetable, freezing and canning industries. Machinery and general engineering. Manufacturers of vegetable preparation and processing equipment. Established 1958. Turnover £440,000, pre-tax profits £60,000+. M.D. and principal shareholder wishes to retire. Continuing management. *Principals only write Box N1233 Financial Times, 10 Cannon Street London EC4P 4BY.*

FOR SALE

profitable ENGINEERING COMPANY

Sales £800,000 - Own products
Owner retiring
LOCATED SOUTH M4
Write Box H1241, Financial Times 10 Cannon St, London EC4P 4BY

SALFORD ENTERPRISE ZONE

NEW INDUSTRIAL UNIT
5,220 SQ FT FOR SALE
with/without
Rental Guarantee
100% Capital allowances available
DUNLOP HEYWOOD & CO
TEL: 061-834 8384

FOR SALE

SMALL

METAL FABRICATION BUSINESS

Est. 39 years. Owner wishes to retire. Freehold Factory. Approx. 1,800 sq. ft. with plant and equipment. London N7. Write Box H.1230, Financial Times, 10 Cannon Street, London EC4P 4BY.

PROFITABLE FRUIT FARM IN SUFFOLK

Good investment with modern packhouse & storage facilities, serving major multiples directly. Plantation raised to point of modernness from which profitability assured into the next generation. Approximately 80 acres wholly irrigated. Offers in the region of £500,000. Comfortable modernised 18th century house available if required.

Write Box H.1248, Financial Times 10 Cannon St, London EC4P 4BY

OPPORTUNITY FOR AMALGAMATION OR SALE

Insulation Business,
Eastern Counties,
Rising £1m turnover.

Write Box H1245, Financial Times 10 Cannon St, London EC4P 4BY

Well established profitable Midlands-based

MOTOR COMPONENT DISTRIBUTOR

with annual sales and service in excess of £2 million selling to wholesale, retail and overseas markets. Holding manufacturers' agencies for UK and export.

Freehold property

Write Box N1239, Financial Times 10 Cannon St, London EC4P 4BY

Estate Agents and Mortgage Brokers FOR SALE

North of England
5 Branches
Turnover £550,000 approx.
Handling 1,000 residential units p.a.
Mortgages arranged
Approx £25 million p.a.
Largest residential practice in the area.

Write Box N1249, Financial Times 10 Cannon St, London EC4P 4BY

London Watersports Retail

Turnover £275,000 pa
Established business, managed lake facilities and prior
£135,000 plus SAV (approx £50,000)
Write Box H1235, Financial Times 10 Cannon St, London EC4P 4BY

FOR SALE

UK AND CONTINENTAL BOAT HAULAGE COMPANY

A well-known company situated in the South of England. Turnover £364K to December 1985.
Write Box N1247, Financial Times 10 Cannon St, London EC4P 4BY

BUSINESS AND ASSETS of solvent and insolvent companies for sale. Contact: "Business and Assets (RLC)." 01-637 3036.

LIMITED COMPANIES — COMPANY FORMATION AND SEARCHES! Fast Service! Credit Cards! 01-247 5566.

£45,000 TAX LOSS for sale in film production company with or without assets. Tel: 01-278 7821.

DIRECT MAIL LISTS & SERVICES—100s of ready-built lists immediately available. Suppliers to leading UK companies. Free Catalogue. Marketscan, Freepost, Chichester, Sussex. Tel. 0243 786711.

Hotels and Licensed Premises

DRUCE

Hotels & Leisure

Great Moreton Hall CHESHIRE

One of Englands finest Country Manor House Hotels with unlimited potential

Would adapt to private or corporate/institutional uses subject to p.p.

Substantial offers invited for the freehold

Birmingham Office Tel: 021-454 4433
London Office Tel: 01-486 1252

Robert Barry & Co

Specialist Hotel Agents & Valuers

LONDON – CIRENCESTER – EDINBURGH

CORNWALL IN 20 ACRES

£71,600 profits on net Turnover £300,000
A TOP QUALITY LEISURE AND HOLIDAY CENTRE
Period country hotel with s.c. cottages, pool, tennis & squash courts
2 detached houses and consent for holiday village
£650,000 Freehold complete

SUPERB 3-STAR COUNTRY HOUSE HOTEL

5-acre garden setting serving important North Wales route
£314,918 NET TURNOVER ON YEAR-ROUND TRADE
Letting bedrooms for 41, elegant public rooms — all immaculate
Offers over £425,000 Freehold. Owners' house also available
Full particulars from the Cirencester Office:
Cotteswold House, Gloucester Street, Cirencester GL7 2DQ

RESTAURANT FOR SALE

Harrow, Middlesex

Fully licensed (44-seats), newly fitted and extremely profitable PIZZA RESTAURANT. Long secure lease Rent only £4,000 p.a. Offers around £85,000 for the Goodwill, Lease, Equipment and Furniture. Apply Box H1232, Financial Times, 10 Cannon Street, London EC4P 4BY.

RESTAURANT FOR SALE

NEAR M25

Licensed Brasserie / Hamburger Restaurant in major Surrey town. Long lease and high quality fixtures and fittings. Available as going concern - 85 covers and a superb bar.

Please write to:
Reference G & L 2nd Floor,
55a Knightsbridge, London SW1

International

For Sale - USA

Manufacturer of Fine Chocolates

SALES: $4.4m
NET BOOK VALUE: $1.45m
CASH FLOW: $1.3m
Please respond with Product Literature and Financial Report to:
Box H1237, Financial Times 10 Cannon St, London EC4P 4BY

FOR SALE

ACQUISITION OR MERGER

Company located in metropolitan NY City area currently doing high 7/low 8-figure annual volume in building contracting field with high specialisation as a replacement window specialist. Also has low 7-figure volume in wholesale and retail distribution of all window products to trade. Has backlog of firm contracts in medium 7-figure range both to government agencies and building industry. Net profits medium to high 6-figures.

BOX 602-B, 60 EAST 42 ST
NYC 10165, USA

FOR SALE—USA

Multiple Locations: Retail Chain Auto Aftermarket Accessories

SALES $22m
Net Book value $5.8m
Cash Flow $2.1m
Please respond with product literature and financial report to:
Box H1220, Financial Times 10 Cannon St, London EC4P 4BY

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

APPOINTMENTS

Reorganisation at Matthew Hall

ENGINEERING has created two subsidiary companies. Matthew Hall Engineering (Southampton), and Matthew Hall Engineering (Manchester), will operate from the existing offices in Southampton and Sale of Matthew Hall Norcain Engineering. This name is being changed to Matthew Hall Engineering (Regions) and becomes the holding company of both the new subsidiaries and of Matthew Hall Engineering (Scotland), based in Aberdeen. The boards will be: Matthew Hall Engineering (Regions) — Mr N. W. Blanksby, Mr B. H. Cartwright, Mr J. Vooder, Mr G. S. Walden and Mr G. E. Williams; Matthew Hall Engineering (Manchester)—Mr Cartwright and Mr T. Stringer; Matthew Hall Engineering (Southampton) — Mr Williams and Mr C. N. Ferguson; Matthew Hall Engineering (Scotland)—Mr Blanksby, Mr R. Allan, Mr Vonder, and Mr Walden.

★

SHEARSON LEHMAN BROTHERS has appointed Mr Peter Nigoghossian as a vice-president of its international private client office in London. He joins from E. F. Hutton. Mr Nigoghossian will specialise in futures, options, currencies and US Treasury bonds.

★

DOWTY GROUP has appointed Mr A. N. Thatcher as deputy chief executive. He became managing director of Dowty Electronics in 1982 and in 1983 became managing director of the electronics division of the group. He joined the Dowty main board in the same year. Mr Tony Thatcher is currently president of the Electronics Engineering Association, and chairman of its council.

★

Dr John Key, assistant general manager of BP DETERGENTS at Pumpherston, near Edinburgh, has been appointed general manager. He succeeds Mr Douglas Peters who is retiring Dr Key joined BP Detergents in 1984 from the Cargo Fleet Chemical Company where he was managing director.

★

Mr Alastair Briggs, previously associate director of asset finance with Morgan Guaranty, has been appointed to the board of AURIT SERVICES, a subsidiary of the recently formed Summit Group. Summit was established as a subsidiary of Comcap during December 1985, at the time that Aurit was acquired from J. Rothschild Holdings.

★

Mr P. M. Madders, honorary secretary, National Conference of Friendly Societies, has been re-elected chairman of the FRIENDLY SOCIETIES LIAISON COMMITTEE. Mr J. F. Lambeth, honorary secretary of the Association of Collecting Friendly Societies, has been re-elected honorary secretary of the committee.

★

Mr W. S. Middleton has been appointed a director of ACM TANKERS.

★

THE MOORGATE GROUP has made two appointments in its design company subsidiary. Mr John Dawkins, who joined the company in 1984 as studio manager, becomes a director of Moorgate Design. Joining the company as associate director is Mr John Wheeler, who was with Bedford-based Rosevere.

★

MEDWAY PORTS AUTHORITY has appointed Mr John Carey as deputy director of operations at Sheerness. He joined the MPA as dock engineer in September 1985. Prior to this he was chief engineer and deputy assistant general manager at the Verolme Cork Dockyard. Mr Carye takes up his new appointment on December 1.

★

Mr Don Hardy has been appointed director, Earth observation, in the directorate of policy and programmes at the BRITISH NATIONAL SPACE CENTRE. At present he is directing an interdepartmental study of the utilisation of the Space Station, a report of which he will present at the end of 1986. The centre's main participants are the Department of Trade and Industry, the Ministry of Defence, the Science and Engineering Research Council, and the Natural Environment Research Council.

★

Mr Jeffrey P. Herneman has been appointed managing director of TEDDINGTON INDUSTRIAL EQUIPMENT, a Hanson Trust company, from October 1. He joins from another Hanson Trust company, and succeeds Mr John C. Page, who retires on September 30. Mr Anthony Murphy becomes general sales manager on October 6. He will succeed Mr Vivian J. Lewis when he retires on November 14.

★

COLLIE CARPETS has appointed Mr Lawrence Court as marketing director. He was sales manager. Collie Carpets is a member of the OCS Group.

★

EVERED HOLDINGS has appointed Mr John S. Singleton as chairman and divisional chief executive of its southern division. He was managing director of Bristol Babcock, a subsidiary of Babcock International.

★

Mr Eric Hogg has joined the board of KAY CONSULTANCY, following his appointment as managing director of the executive division, KHM Associates.

★

Mr Patrick Folkes has been appointed marketing director of CAL FUTURES.

★

HARVEYS OF BRISTOL, part of the Allied-Lyons group, has appointed to the board Mr Barrie Bedford as personnel director. He was personnel and training manager.

★

THE ELECTRONIC ENGINEERING ASSOCIATION has appointed Mr Peter Sachs as director: on the retirement of Mr David Gardner. Mr Sachs was managing director of the UK division of the Andrew Corporation.

★

SMITH WALLIS, Birmingham, has appointed Mr Paul Donnor as sales director. He was uPVC product manager for Worcester Parsons.

★

PRIVATBANKEN has appointed Mr A. J. Davis as non-executive deputy chairman. Mr Davis, who is vice chairman of Lloyds Bank and deputy chairman of Yorkshire Bank, is currently president of the Institute of Bankers.

★

TANDATA INTERNATIONAL has appointed Mr Brian Whitty as chairman. He was managing director of the company, and chairman of Tandata (Ireland).

★

Mr Donald McLeod has been appointed head of personal financial planning at stockbrokers SCRIMGEOUR VICKERS & CO and a director of the financial services and insurance broking divisions. He was previously with the Equitable Life Assurance Society.

★

HEADLINE BOOK PUBLISHING has appointed Mr Christopher Weston, chairman and chief executive of Phillips, (fine art auctioneers) as a non-executive director. He is also chairman of the Mornington Building Society. Mr Paul Coley, until recently financial director of Sidgwick & Jackson, has been appointed financial director and company secretary.

★

Mr J. T. Ma—den has been elected to the board of PARMEKO. Mr W. . S. Bootoo has resigned from the board to pursue other interests.

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

KOMATSU LTD.

EDR holders are informed that Komatsu Ltd. has paid a dividend to holders of record June 30, 1986. The cash dividend payable is Yen 3 per Common Stock of Yen 50.00 per share. Pursuant to the Deposit Agreement the Depositary has converted the net amount after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 34 for payment.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after January 30, 1987.

Amounts payable in respect of current dividends.

Coupon No. 34

EDR denomination share	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
	$0.026058	$0.022149	$0.020846

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB

September 23, 1986

NOTICE OF DISSOLUTION TO THE HOLDERS OF SHARES IN CAPITAL PRESERVATION FUND INTERNATIONAL

The Management Company and the Custodian have decided to dissolve Capital Preservation Fund International on 14th July 1986 since it has not reached an economic size. The issuance and redemption of shares will cease on that date.

Liquidation proceeds, which amount to US$12.18 per share will be paid as from July 23rd 1986 against tender of Bearer Share Certificates to the Custodian at the addresses shown below and will be mailed to registered holders at the address in the shareholder register.

A certificate of the fund's auditors in respect of the amount of the liquidation proceeds will be provided with such cheques.

The Management Company will bear all expenses related to the liquidation of the Fund.

The amount of the liquidation proceeds corresponds to the latest net asset value per share increased by interest accrued up to the 23rd July 1986.

THE MANAGEMENT COMPANY,
CAPITAL PRESERVATION MANAGEMENT COMPANY (LUXEMBOURG) S.A.,
SOCIETE ANONYME,
14, RUE ALDRINGEN,
LUXEMBOURG.
R.C. LUXEMBOURG B 20902O,
THE CUSTODIAN,
BANQUE GENERALE DU LUXEMBOURG,
SOCIETE ANONYME,
14, RUE ALDRINGEN,
LUXEMBOURG.
R.C. LUXEMBOURG B 6481.
Dated this 14th day of July 1986

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN PIONEER ELECTRONIC CORPORATION

PUBLIC NOTICE OF RECORD DATE

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Article 10 of the Articles of Incorporation of the Company any shareholder having voting rights as appearing on the register of shareholders of common stock at the end of September 30, 1986 (record date), Tokyo time, shall be deemed to be a shareholder who is entitled to exercise the rights of a shareholder at the 40th Ordinary General Meeting of shareholders to be held in December 1986.

It is to be added that dividends on shares will be paid to the shareholders or pledgees whose names appear on the register of shareholders of common stock as of the end of the same day.

Dated this 12th day of September, 1986.
PIONEER ELECTRONIC CORPORATION
4-1, Meguro 1-Chome, Meguro-Ku, Tokyo

Depositary:
The Bank of Tokyo Trust Company, London

Agent:
The Bank of Tokyo (Luxembourg) S.A., Luxembourg.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§43	F.P.	—	59	50	‡Broad St. Grp.10p	54	......	b1.1	2.2	2.9	22.3
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85	......	—	—	—	—
§130	F.P.	17/10	195	152	‡Creighton Labs 20p	195	......	u3.7	2.2	2.7	23.4
160	F.P.	—	146	136	Euro Home Products 5p	137	......	R4.25	2.5	4.4	10.5
§105	F.P.	—	112	105	‡Eve Construction	110	+2	u4.5	3.2	3.8	7.7
134	F.P.	—	161	134	‡F & H Group 10p	147	......	L4.76	2.5	4.6	12.1
150	F.P.	25/7	172	150	Guthrie Corp	164	......	u5.3	2.2	4.6	10.5
150	F.P.	15/8	165	156	Harrison Inds. 10p	158	−1	g5.0	2.7	4.5	11.8
105.25	F.P.	—	108	104	India Fund £1	108	......	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£36	......	—	—	—	—
§75	F.P.	24/10	79	75	‡Meverage Trans 5p	75	......	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	25½	25½	Nth of Scotland Inv 10p	25½	......	—	—	—	—
§35	F.P.	29/8	34	27	‡Omnitech 1p	28	......	—	—	—	—
135	F.P.	—	160	151	Sandell Perkins 10p	159	+2	u3.8	2.9	3.4	14.6
—	F.P.	—	17	9	Sutcliffe Speak Wrnts	17½	......	—	—	—	—
130	F.P.	21/8	173	137	‡TV-am 10p	167	−1	R5.75	2.6	4.8	11.2
‖	F.P.	—	385	368	‡Utd. Trust & Credit £1	370	......	u14.0	2.1	5.3	12.8
††	F.P.	—	100	85	Welsh Ind. Inv. Tst. 5p	85	......	—	—	—	—
125	F.P.	10/10	156	137	Yorkshire TV	137	......	R6.25	2.4	6.4	9.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
£100	F.P.	23/10	100½	94	Bournem'th & Dist Wtr 10⅛%Rd Db 1996	94	......
‖	F.P.	10/10	103p	96p	Egerton Tst 7% Cv Cm Red Pf	98p	+1
¶¶	F.P.	26/9	94	80	Hellis 252% Cnv. Subord. Ln. 1988 (2½p)	80	−4
—	—	—	29	26½	JF Pacific Warrant S. A. Pref.	26½	......
§100	£10	—	9½	8	Mid-Sussex Water 11% Red Deb 2012-16	8	......
§100	F.P.	10/10	110½p	105p	Mountleigh 5.25% Cnv. Cum. Prf.	110p	......
§99.937	£25	24/10	25¾	23¾	Nationwide 3¾% IL Ln. 2021	24½	−¼
—	F.P.	—	100⅛	99¾	Do 9⅝% 7/9/87	99¾	−⅛
—	F.P.	—	100⅛	99½	Do 10⅛% 21/9/87	99½	−½
§100	£10	23/10	10¼	4	Portsmouth Water 10⅝% Red Deb 1996	4	......
‖	Nil	24/10	8¼pm	1½pm	Rush & Tomkins 7.5% Cnv. Cum. Red. Prf. £1	1½pm	......
96.645	£25	—	24¼	18½	Scot. Met. Prop. 10¼% 1st Mort. Deb. 2016	19	+½
—	F.P.	—	98p	96p	Sutcliffe Speak 9½% Red. Cum. Prf.	98p	......

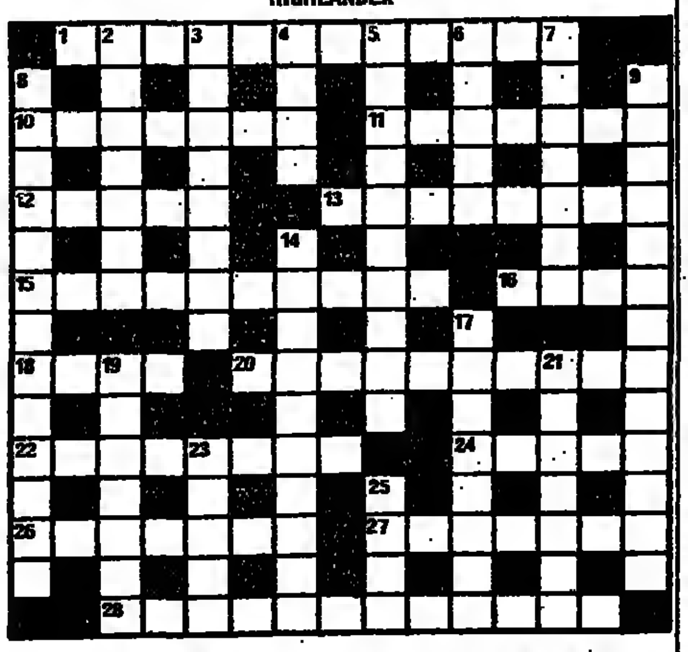
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
168	F.P.	10/10	201	185	Allied Irish Banks	202	......
200	F.P.	24/10	208	205	Berkeley Technology	206	......
138	F.P.	10/10	146½	140	Brown & Tawse	145	......
8	Nil	20/10	1pm	½pm	Cambrian Venture Cap. 5p	1pm	......
25	Nil	—	8pm	8pm	Christy Hunt	8pm	......
276	F.P.	14/10	306	295	FII Group	295	......
215	Nil	—	5pm	3½pm	New Court Nat. Res. 5p	4pm	......
215	Nil	22/10	25pm	13pm	Persimmon 10p	16pm	−2
315	F.P.	24/10	345	330	Sedgwick Group 10p	331	......
250	Nil	—	44pm	43pm	Tiphook 10p	44pm	+1

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. i Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. ** Issued by way of capitalisation. § Placing price. ‡‡ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE NO. 6,132

HIGHLANDER



ACROSS

1 States of depression? (3,9)
10 Paid the difference over and above mine (7)
11 House where old writer found jolly little women making soup (7)
12 Amplify sound level (5)
13 Seizing up? Ring us anyhow (8)
15 Breathing at the crease has foggy effect on photograph (10)
16 Currency used in Europe south of the Alps (4)
18 An insect starting life has to work hard for food (4)
20 Denying it's getting less, having inside information going about (10)
22 Halfcooked and eaten without one being thin (8)
24 Letter from abroad shows old-fashioned reserve (5)
26 An impression English spirit is about in the country (7)
27 Taken by vehicle on a rough ride (7)
28 Ben seek these to make something particularly good (3,4,5)

DOWN

2 Ringway is overloaded but he doesn't fly and refuses to accept facts (7)
3 Without a key, every cell could be ingeniously converted (8)
4 Open to defeat (4)
5 In built-up areas ladies won most new converts (10)
6 It's on target and Victor loses his wicket (5)
7 Most of the nuns are seen about in chapel (7)
8 Gentlemanly type representing the hunt (8,5)
9 Fighters using force-shields? (7,6)
14 Australian soprano turned up in the country with companion (10)
17 It's very hard potting players before club (4-4)
19 Just in front, correct? (7)
21 Wrong time is put down on engineering record (7)
23 Proceed steadily on work with metal (5)
25 Serves when standing outside church (4)

Solution to Puzzle No. 6,131

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	20.9	22.3		0.15
Pacific Basin	16.6	17.7		0.2
Canadian Balanced Growth	56.9	60.8		0.98
Ginnie Mae	100.9	105.1	...	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	57.8	59.4	-0.2	1.75
British Growth (z)	66.1	69.0	-0.8	2.00
British Income (z)	64.0	67.9	-0.4	4.50
British Extra Yield(z)	49.9	51.3	-0.1	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dat Gilt Fd	47.7	48.8	+0.1	0.00
U.S. Govmnt Bond Fd	50.510	0.531	...	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Comdtl & Equity Tst	48.7	51.9	-0.1	7.0
Growth Trust	52.3	55.7	+0.6	2.25
Income Trust	53.5	57.0	.....	5.10

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	60.1	72.6	...	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	126.3	134.4	-0.3	3.24

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 12		105.9	...	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	207.2	218.2		—
Equity Ser. 1	101.2	106.6	+0.4	—
Prop. Acc. Ser 2	278.9	293.6	...	—
Equity Ser 2	110.0	115.8	+0.4	—
Selective Acc.	236.3	248.8	+0.5	—
Prop. Ser. 4	220.1	231.7	...	—
Equity Ser 4	113.4	119.4	+0.4	—
Fixed Int. Ser. 4	178.6	188.1	+0.3	—
Indexed Inv. Ser. 4	112.9	118.9	-0.1	—
American Ser. 4	250.6	263.8	+1.8	—
High Inc. Ser. 4	285.2	300.3	+0.9	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	100	106	...	—
Risk & Reward Bond	129.1	128.0	...	—
Murray Johnstone Fd	121.0	128.0	...	—
Money Market Fd	101.0	107.0	...	—
Ivory & Sime Pens Fd	102.0	108.0	-4.0	—
Risk & Reward Pens Fd	103	109	...	—
Murray Johnstone Pens Fd	118.0	125.0	...	—
Money Market Pens Fd	101.0	107.0	...	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2NU Tel: 0908 690888

Current Series				
Property Fund	113.0	119.0	[illegible]	—
Money Fund	222.6	[illegible]	[illegible]	—
Managed Fund	400.6	[illegible]	[illegible]	—
Equity Fund	252.5	[illegible]	[illegible]	—
Fixed Interest Fund	140.8	[illegible]	[illegible]	—
Far East Fund	212.5	[illegible]	[illegible]	—
North American Fund	164.6	[illegible]	[illegible]	—
Natural Resources Fund	137.6	[illegible]	[illegible]	—
Pension Managed Fund	375.4	[illegible]	[illegible]	—
Pension Equity Fund	238.8	[illegible]	[illegible]	—
Adventurous Mngd Fd	112.1	[illegible]	[illegible]	—
Balanced Mngd Fd	108.7	114	[illegible]	—
Conservative Mngd Fd	109.5	[illegible]	+0	—
European Fund	105.0	[illegible]	[illegible]	—
International Fund	111.7	[illegible]	[illegible]	—
S.U.N. Flagship Fd	119.0	[illegible]	...	—

For other prices please telephone 0908 606101/666088

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	131.5	138.5	+0.9	—
Equity	150.4	158.4	+1.4	—
Property	109.1	114.9	...	—
Gilt & Fixed Interest	108.8	114.6	+0.2	—
Indexed Securities	100.4	105.7	+0.6	—
Cash	107.6	113.3	+0.1	—
North American	103.4	108.9	+0.7	—
Far East	129.6	136.5	+0.6	—
International	123.4	129.7	+0.7	—
Special Situations	143.9	151.5	+1.4	—
International Income	138.9	146.3	+1.4	—
American Income	113.5	119.5	+1.0	—
European	146.8	154.6	-0.2	—
Flexible Retirement Plan				
Mixed	135.0	142.2	+0.4	—
Equity	144.8	152.5	+0.5	—
Property	114.5	120.6	+0.1	—
Gilt & Fixed Interest	116.3	122.5	-0.2	—
Indexed Linked	103.8	109.3	+0.8	—
Cash	115.6	121.7	+0.1	—
North American	107.0	112.7	+0.9	—
Far East	145.8	153.5	+1.0	—
International	130.0	136.9	+0.6	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $18.54 ... +0.11 ... -

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. ... $16 41 ... -0 04 ... -
Ag Adv M & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $17.97 ... +0.33 ... -
Dynamic Gwth Fd ... $15.52 ... +0.63 ... -

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey ... 0481 26268
Zero Bond Fund ... $11 93 ... 12 pd ... -

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9 40			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 5ST. 01-236 0952				
Call Fund	8.79	6.57	9 62	[illegible]
7-day Fnd	9 09	6 80	9 92	10 65
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	8.41	6.29	9 00	6-Mth
7-day Fund	9.32	6.97	9 99	6-Mth
Dollar	6.81	-	-	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.80	5 82	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	9.25	9 91	9 99	Qtr
Mon. Int. Chq	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10 125	7 57	11 04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9 30	6.95	10 13	Mth
Barclays Prime Account				
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H I B A	9.00	6.73	9.80	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.36	1.00	10 12	Qtr
Money Acc	9.36	1.00	10.12	Qtr
J. Henry Schroder Wagg & Co Ltd *Enterprise House, Portsmouth* 0705 827733				
Special Acc	8.75	6.54	9.49	Mth
Over £30 000	9.00	6.73	9.77	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 224141				
High Int Chq Acc	9.62	1.19	10.39	Qtr
Wimbledon & South West Finance Co Ltd 115 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.0	8.22	11 94	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	12
BSR	11	Polly Peck	16

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

No end to aluminium market problems

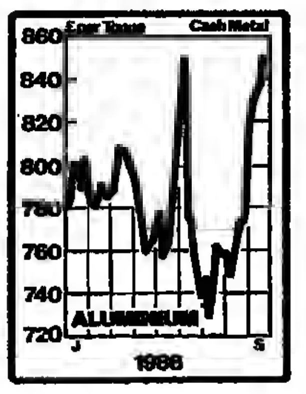
BY DAVID OWEN IN CHICAGO

SLUGGISH demand growth and persistent excess capacity are likely to continue to dog the sickly aluminium market for the foreseeable future. Such is the enduring message of a conference staged last week in San Francisco by trade publication Metal Bulletin — notwithstanding attempts by several speakers to put a brave face on the industry's problems.

Mr D. G. Wood, general manager, of join ventures, with Australia's Comalco, projected average growth in demand for primary aluminium of only 1 per cent to 2 per cent per year, in the next decade. He said producers' difficulties had been compounded by the market trend away from vertical integration, which had traditionally enabled them to generate the bulk of their revenue from sales of comparatively high added value semi-fabricated products.

The current "de-integration at the smelting/semi-fabricating interface" is problematical for producers which have "based their strategies on maintaining stable and profitable prices downstream," Mr Wood said.

This trend is likely to continue as more production shifts to South America and



the Middle East from the US and Europe. Together with the likelihood of excess capacity at all stages of the industry for the next 10 years and consequent downward pressure on real prices, it will probably result in "low profitability or significant losses for all bar the very lowest cost producers," unless production is permanently cut back, Mr Wood warned.

Focusing on current trends in the principal aluminium consuming sectors Mr Dennis Gagliardi, director, metal services at Chase Econometrics, reached the even gloomier conclusion that the industry could be looking at "a zero per cent growth rate or worse" by the end of the decade. Cheaper oil has already slowed the trend towards using lighter materials, including aluminium, in the transportation sector, Mr Gagliardi said.

Meanwhile the popular all-aluminium can, the other principal growth area for the metal in recent years, has now achieved 94 per cent penetration of the US beverage can market, severely limiting potential for further expansion (although penetration is generally lower in other countries).

Mr Stephen Brown, president of US-based Alcan Rolled Products, implied that if and when total penetration of the beverage can market is achieved, annual aluminium usage in the sector may actually start to decline. "Less aluminium is being consumed in each individual product," Mr Brown said, adding that consumers are now getting 14 per cent more cans per pound of aluminium than they did some years ago.

Should the number of units produced over a period of time level off, therefore, the tonnage of raw material used will presumably show a corresponding tendency to fall.

One of aluminium's prime advantages over competitive materials in the beverage can market is that it can be recycled and many participants in the conference expressed the view that the re-cycling rate of used beverage cans in the US and elsewhere is likely to improve further in coming years.

As a result, it is expected that the secondary sector, which has low energy costs compared to the primary sector, will play an increasingly important role in the overall aluminium market in coming years.

"We can expect continued growth in the rate of scrap recovery," confirmed Mr Richard Bolling, vice-president of recycling and reclamation at Reynolds Metals. Mr Bolling projected that the recycling rate of aluminium beverage cans in the US would attain 70 per cent in the early 1990s — up from 50 per cent at present.

LME structure under fire

BY ANDREW GOWERS

IF ANY companies on the London Metal Exchange were harbouring doubts as to the pressure on the organisation to change, they are unlikely to be doing so any more: yesterday's meeting of members will have seen to that.

Still reeling from the tin crisis and beleaguered by the City's new regulators, they have now all been told in stark terms what several of them have known—and many outsiders have suspected—for some time: their market's administration is singularly ill-equipped to face these multiple challenges.

In a report commissioned from Price Waterhouse, the accountancy firm, members heard a sombre rehearsal of the perceived weaknesses of the LME's current structure.

Communication between the exchange authorities and the membership "is seen to be poor," the report says. The two bodies that run the LME—the board of nine permanent appointees and the annually-elected 15-man committee—indulge in "ineffective duplication" by both spending time on strategy and detailed administration. The board "is relatively too powerful and controls the money," while the committee "is too large and lacks suitable authority." The rule-book urgently needs to be completely revised.

The list goes on. All told, a picture is painted of a market with no idea where it wants to be in the 1990s, and encumbered with an administrative structure that is probably impeding it from going anywhere at all.

Price Waterhouse leaves members in no doubt that these problems need to be addressed as a matter of urgency. Indeed, the consultants report that it very swiftly became clear to them that "the LME faced a number of critically important commercial and strategic issues which were in need of immediate attention." These include "the nature of the trade of the LME itself; its method of operation and its requirement for dealing with the developments of modern information technology."

The report says the exchange needs to draw up a strategic plan "setting out where it wishes to be in the 1990s."

But as a more immediate structural improvement, Price Waterhouse proposes that the board and committee be scrapped to make way for two bodies with a much more clearly-defined division of responsibility:

● A nine-member supervisory board elected by the membership, which would meet at least once a month and be responsible for day-to-day management of the exchange and implementation of strategy;

● A 12-member council—also elected—which would meet at least once a quarter, and would be responsible for overall strategic planning.

In addition, there would be a chief executive, as now, presiding over a much-strengthened secretariat. The idea of an all-powerful executive on the model of successful US futures exchanges was rejected at an early stage, on the grounds that it might impair the market's close relationship with the trade. Nonetheless, centralised functions like planning (including the introduction of new contracts) and public relations (both within and outside the exchange) would be given a much higher priority.

There are still plenty of hurdles to clear before the proposals can be implemented. In the first place, the report is known to have aroused powerful opposition within the LME board itself. Mr Jacques Lion, the exchange's chairman, touched on one reason why this might be so yesterday: the new structure would cost more. The days when the LME could be run "on a shoe-string" are over, he said.

There is also considerable opposition to another idea floated by Price Waterhouse: a possible move by the LME to new headquarters being built for the London Commodity Exchange, which trades cocoa, coffee and sugar futures. Mr Saxon Tate, the LCE chairman, needs to find partners to take up spare space in the buildings and has recently been talking both to the LME and the Grain and Feed Trade Association, which runs London's agricultural futures markets.

But his approach has found little favour at Gafta and appears to have raised hackles in some quarters of the LME. Clearly, the day envisaged by some people in the London commodity fraternity — when all the markets would pool resources in order to compete —is a long way off.

Trade team inspects Ghanaian cocoa industry

BY PETER BLACKBURN IN ABIDJAN

A TOP-LEVEL cocoa trade delegation is having talks in Ghana today as part of a ten-day, four-country West African fact-finding tour.

The delegation from the Cocoa Association of London (CAL), whose membership includes over 150 cocoa producers, traders and chocolate manufacturers from some 30 countries, is making its first West African tour.

Led by Mr Hans Fritze of the West German Cocoa Company Sopra, the delegation will meet Mr P V Obeng, chairman of Ghana's Committee of Secretaries (cabinet) and Mr Owusu, the new executive chief of the Ghana Cocoa Marketing Board.

"We shall be seeking more information about the rejuvenation of the Ghanaian cocoa industry," Mr Fritze said. After a long period of decline, 1985-86 output has recovered to an estimated 205,000 tonnes from 158,000 tonnes in 1983-84, but this is still well under half the level of the 1960's.

During the first stage of the tour in Ivory Coast the delegation had talks with President Felix Houphouet-Boigny and Mr Rene Amani, the new head of La Caisse de Stabilisation, the state commodity marketing agency.

Among the points discussed were Ivorian efforts to improve cocoa quality which would help to remove the price differential with Ghanaian cocoa.

A report has been completed on how to extend nationally a four-year cocoa quality pilot project. Satmaci, the state commodity technical agency, could take over project management from the British Cocoa, Chocolate and Confectionery Alliance in the 1986-87 season.

"The spectacular growth in Ivorian cocoa output in recent years has largely covered the growth in world consumption. Now the emphasis is on improving quality not further expansion," Mr Fritze said.

Another topic raised was the Ivory Coast's possible membership of the Cocoa Association of London. It is the only large cocoa producer which is not a member.

In Nigeria the delegation will seek to clear some of the confusion following the abolition of the state owned Nigerian Cocoa Board, the emergence of numerous local cocoa traders and slackening of quality controls.

The final stage will be the Cameroon where cocoa output is estimated at 115,000 tonnes in 1985-86 and where a new bonus scheme has helped to improve quality.

Dutch block EEC fishing compromise

By Tim Dickson in Brussels

IMPORTANT conservation measures to protect stocks of white fish such as whiting, haddock, sole and cod in EEC waters were hampered in Brussels last night by Dutch objections over minimum mesh sizes.

Mr Michael Jopling, British president of the EEC Fisheries Council, was engaged in a series of discussions with other member states in a bid to find a new compromise.

Discussions centred on three main modifications to a proposed council regulation, designed to combat the increasingly urgent problem of overfishing in community waters. These were the minimum mesh size to be applied in the North Sea, the conditions of fishing within 12 mile coastal zones, and fishing for hake and certain shellfish.

The main stumbling block, however, appeared to be Dutch objections to the idea of phasing in more slowly than originally anticipated an increase in minimum mesh sizes in the North Sea from 80mm to 90mm. The Dutch are concerned about the overcapacity of their fleet and do not wish the minimum mesh size for sole to be fixed at more than 80mm.

The milk quota maze

FARMER'S VIEWPOINT

By John Cherrington

IN THE mid-1930s, I decided to expand my milk production. I had saved enough money to buy 60 cows and a second-hand milking machine, a neighbour wanted to retire from farming and let me the land; and within a few weeks I was in business. There was no problem about sales because the Milk Marketing Board was already in being, and had to take the milk.

Many of my generation of farmers made our start that way and managed to survive. But today that path is closed to all since the EEC imposed milk quotas. Although many farmers objected strongly to them, most have since come round to seeing that they were the only alternative to a competitive free-for-all, which would literally drown every one in milk and probably decimate the industry into the bargain.

Today, those wishing to expand their milk production or to enter the industry have a much harder task because although the prospect of profit in dairying is better than it over was, it is a profit which is to all intents reserved for those already established in milk production. The newcomer, or the expanding young man, has to buy his way into the industry and even this opening is very limited.

There are two options—either to lease quota or to buy one from someone who wishes to give up dairying permanently. Quota buying is a very grey area. Because EEC rules dictate that the quota is tied to the land, it means that the quota sold should be attached to the land in proportion to its stocking rate.

This means in practice that a farmer can buy a whole farm for sale with its quota attached, which seems fairly straight forward. Or he can buy lots of land from a farm divided up for sale, each with a quota. These he can amalgamate with his own farm and increase his own quota in consequence. All quotas are registered, and only those for less than 20,000 litres are exempt for this requirement.

A milk quota has now become a considerable factor in land valuation. Present indications are that the quota price is between 15p and 22p a litre. With the average UK milk yield at 5,000 litres per cow, the cheapest purchase would work out at £750 a head. At the higher figure it would amount to £1,100. The average price of a dairy cow is around £550 these days, so when investing in a dairy farm the quota buyer needs to find between one and a half and twice the value of the cows in order to get the enterprise started.

This is not quite as bad as in Canada where I understand the cost of buying a quota is up to six times the value of the cows. In some cases a milk quota could amount to half the value of the land to which it is attached.

For a farmer who cannot go to the expense of buying quota permanently there is the possibility of quota leasing. For instance a farmer might decide to retire from milking but still keep on the value of the quota for himself. He is at present able to lease his quota out to others.

There is a strong market for quota leasing, which is on an annual basis and registered with the Ministry of Agriculture. The cost of the leases is between 2p and 3p a litre. The drawback here is that leases are for one year only. No continuity is guaranteed and there is really no basis for a long-term investment.

It must be remembered, though, that the long-term aim of the quota system was the gradual elimination of a sizeable proportion of the Community's milk surplus and that a great deal remains to be done in that direction. There is due to be a 3 per cent reduction in quota production over next two years and an outgoers scheme has just been announced which will pay those taking it up 2.8p a litre over seven years for the duration of the quota system. The quota surrendered under this scheme will mean a permanent reduction in the overall Community surplus, or so it is hoped.

Another factor is that UK milk production is running well above quota, and under the terms of the scheme there will be a punitive levy on those farmers who individually are over quota — about half the number. The present liability for extra levy will be about 6p a litre according to the Milk Marketing Board. There will be no scope this time for an interchange of quotas between different regions: they are all over quota.

There is no doubt that the EEC Commission is acutely aware of the need to cut output and is looking particularly hard at possible reforms in the UK system.

The spotlight is likely to fall in particular on permanent sales of quota when attached to land. Is the land to which it was attached still being used for milk production? Or has the new purchaser simply sold it off and kept the quota? There is also said to be a sizeable black market in milk in some areas in order to avoid the restrictions altogether. But I doubt if it can be very large.

The irony to me of this situation is that when I was expanding milk production it was the only way open to me of maintaining a growing family; otherwise why condemn oneself to the treadmill of milking 14 times a week? That otherwise sane businessmen should spend good money chasing extra work makes me wonder about the mental stability of many farmers.

LONDON MARKETS

COCOA futures prices slumped yesterday afternoon on the London Commodity Exchange, in what appeared to be a largely technical correction after a recent rally. The December position fell £51 on the day to close at £1,531 per tonne, its lowest level since September 10. Dealers said the market now appears to have digested expectations of a lower cocoa crop in the Ivory Coast in the coming season, and is reacting largely to technical factors. Robusta coffee futures, by contrast, were up—chiefly in response to the weakening of sterling against the dollar and to bullish prices in New York. The November contract closed at £2,507.50 per tonne, £25 up on the day and the first close above £2,500 since mid-March. On the London Metal Exchange, copper prices continued their recent steadier trend following the summer doldrums, with cash grade A metal closing up £8.25 at £940.50 per tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	850-1	+11.75	852/850
3 months	816.5-7	+10.25	818.5/816

Official closing (am): Cash 850-1 (834-8), three months 816-6.5 (806-6.5), settlement 851 (836). Final Kerb close: 817-8.

Turnover: 23,550 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	940-1	+8.25	941/940
3 months	961.5-2	+0	964/956

Official closing (am): Cash 939.5-40 (930.5-1), three months 961-1.5 (951-2), settlement 940 (931). Final Kerb close: 961-1.5.

Standard			
Cash	914-6	+0	—
3 months	938-9	+9.5	939

Official closing (am): Cash 913-5 (906.5-7), three months 937-8 (930.5-1), settlement 916 (907). US Producer prices 64.50-68 cents per pound.

Total turnover: 20,350 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	278-8.5	+0.25	278
3 months	282-2.25	+0.87	284/281.5

Official closing (am): Cash 278-8.5 (279-9.5), three months 282-2.5 (282.5-3), settlement 278.5 (279.5). Final Kerb close: 282.

Turnover: 3,100 tonnes. US Spot: 23-24 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2520-5	+17.0	2540
3 months	2571-2	+14	2582/2570

Official closing (am): Cash 2535-40 (2480-90), three months 2575-8 (2538-40), settlement 2540 (2480). Final Kerb close: 2575-80.

Turnover: 1,620 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.28 (14.19) ringgit per kg. Up 0.07 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	602-3	+4.0	607.5/604
3 months	605.5-6	+6	608/600

Official closing (am): Cash 604.5-6 (593.5-4.5), three months 606.5-7 (598.5-7), settlement 605 (594.5). Final Kerb close: 600-1.

Turnover: 6,800 tonnes. US Prime Western: 44-47.50 cents per pound.

GOLD

Gold rose $8¾ an ounce from Friday's close in the London bullion market yesterday to finish at $438-439¼, its best closing level since May 1983. The metal opened at $431½-433 which proved to be the day's low and touched a high in the morning of $444-447. Trading was volatile at this point amid short covering but profit taking developed later in the day.

GOLD BULLION (fine ounce)	Sept. 22	
Close	$438-439¼	(£300-301¼)
Opening	$431½-433	(£294½-295¼)
M'n'g fix	$442.75	(£303.045)
Aft'n'n fix	$435.50	(£298.694)

GOLD AND PLATINUM COINS		
Kr'g'rnd	$456-459	(£299½-301¼)
½ Krug	$230½-232	(£158¼-159¼)
¼ Krug	$117¼-118¼	(£80½-81¼)
1/10 Krug	$47½-48½	(£32½-33¼)
Mapleleaf	$450¼-453¼	(£309¼-311¼)
Angel	$442-447	(£306¼-307)
1/10 Angel	$47-52	(£32¼-35¾)
New Sov.	$104-107	(£71½-73½)
Old Sov.	$106-107½	(£72¾-74¾)
$20 Eagle	$480-530	(£329¾-364)
Noble Plat	$635-654½	(£437¼-455¼)

SILVER

Silver was fixed 14.8p an ounce higher for spot delivery in the London bullion market yesterday at 413.15p. US cent equivalents of the fixing levels were: spot 603c, up 14c; three-month 611.45c, up 14.25c; six-month 620.2c, up 14.55c; and 12-month 639.85c, up 14c. The market opened at 403-405½p (591-594c) and closed at 410-412½p (599-602c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	413.15p	+14.8	407p	+6
3 months	423.15p	+15.8	416.5p	+8.5
6 months	433.70p	+15.5	—	—
12 months	463.90p	+16.5	—	—

LME—Turnover: 3 (5) lots of 10,000 oz.

Cash high/low 411p, three months 416p, final kerb 418.20p.

MEAT

Month	LIVE CATTLE Y'day's close	+ or −	LIVE PIGS Y'day's close	+ or −
Sept	96.00	—	—	—
Oct	97.50	—	104.20	−0.30
Nov	99.00	−0.50	105.30	−0.20
Feb	—	—	99.00	+0.60
Apr	100.00	—	99.00	−0.50

Cattle sales: 0 (0) lots of 5,000 kg.

Pigs sales: 0 (2) lots of 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 92.38p per kg lw (−1.52). GB—Sheep 127.83p per kg est dcw (−9.08). GB—Pigs 79.38p per kg lw (−0.87).

INDICES

REUTERS

Sept 19	Sept 18	M'th ago	Year ago
1509.9	1506.4	1443.2	1726.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept 18	Sept 17	M'th ago	Year ago
Spot	123.09	122.86	—	118.11
Fut	125.62	125.29	—	114.50

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 22 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1258/870	+10	$1258/290
Copper			
Cash Grade A	£940.5	+8.25	£881
3 mths	£961.75	+0.00	£894.25
Gold Troy oz	$438.75	+6.75	$383.25
Lead Cash	£278.25	+0.25	£268
3 mths	£282.12	+0.37	£269.62
Nickel			
Free Mkt	188/198c	+4	172/192c
Palladium oz	$144.5	+1.0	$133.00
Platinum oz	$599.0	+17.8	$566.00
Quicksilver†	$125/135		$140/150
Silver troy oz	413.15	+14.15	343.90p
3 mths	423.15	+15.80	351.65p
Tin			
free mkt	£3700/730		£3670/80
Tungsten	$61.25		$55.53
Wolfram 22.5lb	$35/45		$40/48
Zinc	£602.5	+4.50	£557.5
3 mths	£605.75	+5.00	£555.5
producers	$820		$840
OILS			
Coconut (Phil)	$247.5z	−7.5	$315
Palm Malayan	$205y		$195
Copra (Phil)	$150w		$140
Soyabean (U.S.)	$167	+3	$162
GRAINS			
Barley Fut. Nov.	£108.7	−0.25	£107.40
Maize	£154.00		£150.50
Wheat Fut. Nov.	£107.7	+0.5	£108.20
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1531	−51.5	£1443.5
Coffee Ft. Nov.	£2507.5	+25.5	£2052.5
Cotton A Ind.*	47.30c	+2.0	57.15c
Gas Oil Nov.	$125.75	−2.25	$138
Rubber (kilo)	65.5p	+3.5	59.5p
Sugar (raw)	$117.5w	−2.0	$151
Wooltops 64s	436p kilo	+6	395p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. z Oct. * Cotton outlook. y Nov. x Sept-Oct. w Oct-Nov.

COCOA

After opening £10 higher the market traded quietly during the morning session. However later during the afternoon, profit-taking and heavy liquidation found few buyers, causing market to close £50 down on the day, reports Gill and Duffus, London.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
Sept.	1493-1494	−45.5	1545-1490
Dec.	1530-1532	−51.5	1586-1530
March	1575-1577	−57.5	1630-1572
May	1598-1096	−58.5	1648-1599
July	1617-1620	−40.5	1665-1618
Sept.	1634-1636	−40.5	1681-1648
Dec.	1651-1655	−38.5	1691-1656

Sales: 4,757 (3,178) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for September 22 98.25 (102.48); five-day average for September 23 101.55 (102.53).

COFFEE

A day of further consolidation, reports Drexel Burnham Lambert. Commission house buying pushed levels some £20 higher by mid-day encountering light trade selling. An impressive performance from the "C" contract encouraged London to break recent highs (2510) but with limited volume, levels could only struggle a further £5 to make a high of 2520 basis November. Light profit taking on the close retraced levels to end £25 higher on the day.

COFFEE	Yesterday close	+ or −	Business Done
Sept.	2470-2480	+15.0	2480-2457
Nov.	2505-2510	+25	2520-2480
Jan.	2455-2458	+34.5	2469-2432
Mar.	2375-2380	+26	2388-2350
May	2350-2370	+27	2388-2340
July	2355-2380	+28	2300-2350
Sept.	2350-2380	+95.5	—

Sales: 4,489 (2,346) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 19 Comp daily 1979 185.98 (186.07); 15-day average 180.23 (179.45).

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or −	Business done
October	134.5-135.5	+0.65	—
Dec.	132.0-133.0	+0.55	133.5
Feb.	133.5-134.0	+0.55	160.0
April	135.5-136.0	+0.35	—
June	135.5-136.0	+1.00	133.5
August	132.0-134.5	+0.55	—
October	135.5-138.5	+1.75	—

Sales: 75 (140) lots of 20 tonnes.

GRAINS

Wheat in quiet trading steadied on spot short covering reaching new contract highs before easing on short-term profit-taking. Barley eased sharply following previous weeks steady trend but again found buyers to close steady, reports T. G. Roddick.

Mnth	WHEAT Yesterday's close	+ or −	BARLEY Yest'rdy's Close	+ or −
Sept	108.50	+1.30	107.30	−1.45
Nov	107.70	+0.35	108.70	−0.30
Jan	110.50	+0.45	111.50	−0.45
Mar	112.60	+0.15	113.60	−0.20
May	115.30	+0.15	114.35	+0.35
July	116.65	+0.25		

LONDON GRAINS—Wheat: US Dark Northern spring No 1 15 per cent, Oct 98.50, Nov 98.00. US No 2 soft red winter, Oct 97.25, Nov 99.75. French 11½-12 per cent, Sept 190.00. English feed fob, Sept 112.00 seller, Oct/Dec 112.50-113.00, Jan/March 115.00-115.80 buyer/sellers. April/June 119.80 sellers. Maize: US No 3 yellow/French transhipment East Coast, first half Oct 143.00. Barley: English feed fob, Nov 116.00, Dec 117.00, Jan/March 117.80 sellers. Rest unquoted.

Business done—Wheat: Sept 109.00-7.30, Nov 108.25-7.50, Jan 110.35-0.15, March 112.70-2.45, May 116.45-5.15, July 116.65 only. Sales: 169 lots of 100 tonnes. Barley: Sept 108.70-7.00, Nov 109.00-8.50, Jan 111.70-1.20, March 113.50-3.55, May 114.35 only. Sales: 163 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 104.20; E Mids 105.80; N East 100.00; Scotland 103.70. The UK monetary coefficient for the week beginning Monday Sept 29 (based on HGCA calculations using 4 days' exchange rates) is expected to change to 1.222.

POTATOES

Fine weather and press comment put an end to the confidence seen last week, and no longer scrambled for cover levels slipped to close on the lows for the day, reports Coley and Harper.

Month	Yesterdays close £ per tonne	Previous close	Business done
Nov	111.0	115.00	111.5-110.0
Feb	126.0	132.50	
Apr	179.5	188.50	185.7-179.5
May	194.8	204.50	198.0-195.5
Nov	85.0	85.00	

Sales: 1,271 (1,376) lots of 40 tonnes.

OIL

Spot crude trading was thin and characterised by scant buying interest. Sellers of November and December Brent sought 14.65-14.80 but had to come off 40c before finding a buyer, October Brent traded at 13.77. October WTI opened 36c down on Nymex and traded 42c down at 1.30 pm EDT. In the petroleum products market Mogas was assessed weaker, with talk below Friday's level but little trade heard. Naphtha very quiet with no deals heard and gas oils dropped a dollar in thin trade. Fuel oil was quiet—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Oct.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	12.55-12.65	−0.40
Brent Blend	16.65-16.75	−0.40
W.T.I. (1pm est)	14.05-14.15	−0.50
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	164-167	−2
Gas Oil	117-119	−1
Heavy fuel oil	79-80	+1
Naphtha	115-117	+1.5

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or −	Business Done
Oct.	121.75	−1.50	122.50-21.50
Nov.	125.75	−2.25	128.25-25.75
Dec.	130.50	−1.75	132.00-29.50
Jan.	132.25	−2.00	133.50-32.25
Feb.	—		
Mar.	—		
Apr.	—		

Turnover: 1,183 (2,723) lots of 100 tonnes.

RUBBER

PHYSICALS—THE LONDON MARKET opened steadier, showed some covering interest throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 65.50p (65.00p) Oct 65.00p (64.50p); Nov 65.00p (64.50p). The Kuala Lumpur fob price (Malaysian cents a kilo): RSS No. 1 232.0 (230.0) and SMR 207.0 (205.0).

FUTURES—Index 651, Oct 655-661, Oct/Dec 654-661, Jan/March 664-671, April/June 675-680, July/Sept 677-685. Sales: Nil.

TEA

At yesterday's tea auction there were 29,586 packages on offer including 600 packages offshore, reports the Tea Brokers Association. Demand was less general. Assams sold quite readily at steady rates apart from brokens and plainer sorts which tended easier. East Africans met only fair competition and prices were mainly 4p to 5p lower. Central Africans on the other hand continued to sell well with coloury sorts often several pence dearer, others firm. Ceylons came in for less demand than of late and prices were irregularly easier with brokens a weak feature. The small quantity of offshore teas sold at firm rates. Quotations: Quality 196p a kg nominal (200p nom); medium 165p a kg (170p): lower medium 124p a kg (122p).

SUGAR

Long liquidation of the spot October position forced prices back to the low points of the year, reports Czarnikow London.

No. 6 Contract	Yest'rdy's close $ per tonne	Previous close	Business done
Oct	106.5-106.4	107.0-107.4	108.4-105.9
Dec	118.3-120.5	120.4-121.0	120.4-118.2
Mar	152.6-155.0	154.2-154.4	156.0-152.9
May	158.0-158.6	159.6-140.0	158.2-158.9
Aug	142.6-143.6	143.6-145.4	144.6-144.2
Oct	146.5-149.5	148.6-148.6	148.8
Dec	158.0-158.5	152.6-154.6	—

Sales: 1,287 (1,836) lots of 50 tonnes.

LONDON DAILY PRICE—Raw sugar $117.50 (£80.50) down $2.00 (down £0.50) a tonne for October-November delivery. White sugar $175.00 down $1.80.

Tate and Lyle delivery price for granulated basis sugar was £182.00 (£182.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for September 19: Daily price 4.49 (4.56): 15-day average 4.65 (4.61).

PARIS SUGAR—(FFr per tonne): Oct 1150/1155; March 1175/1180; May 1200/1215; Aug 1235/1248; Oct 1267/1280; Dec 1300/1318.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	815/815	775.5/775.5	822/824
Jan.	820/821	827/818	851/884
April	856/862	828/821	860/866
July	765/772	861/860	765/780
Oct.	865/872	775/765	865/900
Jan.	840/906	—	880/925
Apr.	935/950	—	925/950
July	840/860	—	860/900
BFI.	773.5	—	770.6

Turnover: 166 (197).

	Close	High/Low	Prev.
Tankers			
Sept.	950/1020	—	1000/1040
Oct.	1140/1200	—	1160/1160
Nov.	1190/1240	1200	1090/1240
Dec.	1180/1260	—	1210/1250
Mar.	1160/1160	—	1125/1145
June	1200/1200	—	1156/1175
BTI.	1006.5	—	1020.6

Turnover: 7 (14).

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

	(tonnes)
Aluminium	−1,825 to 125,875
Copper	−1,175 to 161,800
Lead	−275 to 40,050
Nickel	+1,056 to 8,952
Tin	−875 to 45,215
Zinc	−25 to 28,500
	(ounces)
Silver	+24,000 at 25,246,000

US MARKETS

THE NEW YORK PRECIOUS METALS markets finished on another firm note, although gold could not sustain the strength exhibited in the morning session in London, where spot values brushed $450 per ounce at one point. Prices for the leading December delivery nevertheless closed over $4 higher net on the day, at $445.5. Platinum futures again advanced the $25 daily trading limit, with the October position finishing at $611.7 per ounce. Observers considered the relative strength of platinum to gold as a delayed reaction to the losses seen two weeks ago. Coffee futures were again firm but once more balked at important chart resistance levels of 215 cents per pound in the December delivery, following a strong London performance. Cocoa futures moved down the $88-per-tonne daily trading limit in the deferred deliveries

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	53.20	—	—	53.50
Oct	53.40	—	—	53.40
Nov	53.60	—	—	53.80
Dec	53.80	—	—	54.10
Jan	53.85	—	—	54.25
March	53.90	—	—	54.35
May	54.20	—	—	54.60
July	54.45	—	—	54.85
Sept	54.65	—	—	55.05
Dec	54.75	—	—	55.16

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	20.21	21.27	20.18	21.52
March	20.67	21.53	20.64	21.89
May	21.26	21.85	21.26	22.14
July	21.37	21.89	21.40	22.25
Sept	21.52	—	—	22.40
Dec	21.89	21.85	21.85	22.57

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	60.95	61.00	60.90	61.80
Oct	61.05	—	—	61.90
Nov	61.30	—	—	62.05
Dec	61.55	62.70	61.40	62.40
Jan	61.95	—	—	62.50
March	61.85	62.90	61.70	62.85
May	62.15	63.20	62.10	62.85
July	62.40	63.80	62.85	63.20
Sept	62.95	—	—	63.45
Dec	63.10	64.20	63.60	63.90
Jan	63.20	—	—	64.08
March	63.50	64.50	64.00	64.30
May	63.80	64.30	64.00	64.60
July	64.10	—	—	64.80

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	213.66	216.95	212.00	212.94
March	206.51	208.50	206.20	206.78
May	204.80	206.75	204.40	205.50
July	204.70	206.20	205.50	204.23
Sept	204.38	—	—	203.00
Dec	204.38	—	—	201.75

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	48.30	48.30	48.30	44.30
Dec	47.10	47.10	47.10	46.10
March	48.16	48.15	48.15	46.16
May	48.90	48.80	48.90	46.90
July	49.40	49.40	49.40	47.40
Oct	50.35	50.35	50.35	48.35
Dec	51.10	51.10	50.45	49.10
March	52.80	—	—	50.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/Barrel

	Close	High	Low	Prev
Oct	13.85	14.40	13.80	14.48
Nov	14.28	14.57	14.22	14.74
Dec	14.42	14.65	14.37	14.79
Jan	14.35	14.50	14.30	14.65
Feb	14.22	14.35	14.17	14.49
March	—	14.23	14.05	14.36
April	—	14.13	14.00	14.28
May	13.80	14.06	13.90	14.17
June	—	13.95	13.80	14.18
July	—	14.10	13.95	14.05

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	444.5	—	—	486.0
Oct	441.1	441.5	433.5	434.9
Nov	443.4	—	—	439.2
Dec	445.2	446.5	438.0	441.0
Feb	449.1	449.5	442.1	444.9
April	452.7	453.0	447.0	448.5
June	456.6	456.9	449.0	452.3
August				
Oct	464.8	465.5	459.5	460.8

HEATING OIL 42,000 US gallons, cents/US gallons

	Close	High	Low	Prev
Oct	39.80	40.05	39.50	40.44
Nov	40.90	41.50	40.80	41.87
Dec	42.10	42.75	41.95	42.98
Jan	—	43.45	42.80	43.82
Feb	43.40	43.70	43.10	44.02
March	41.25	41.25	40.70	41.57
April	—	39.80	39.40	39.90
May	—	38.10	37.70	38.60

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	107.15	107.40	104.58	104.90
Jan	108.30	108.70	106.30	108.90
March	108.85	108.80	107.75	107.45
May	109.80	109.00	109.00	108.75
July	—	—	—	101.65
Sept	109.45	—	—	108.95
Nov	110.0	110.20	—	108.85
Jan	110.00	—	—	109.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	610.1	616.6	594.0	582.6
Oct	611.7	611.7	595.0	586.7
Nov	—	—	—	595.5
Jan	616.0	618.0	599.5	591.0
April	619.3	616.6	603.0	594.5
July	623.5	623.6	609.0	598.5
Oct	628.0	616.0	610.0	603.0

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	598.6	602.0	595.0	599.5
Oct	600.0	—	—	601.0
Nov	602.2	—	—	603.2
Dec	605.5	610.0	598.0	606.6
Jan	608.7	611.0	602.0	606.7
March	614.8	618.0	607.0	615.8
May	621.4	626.0	616.0	622.4
July	628.2	632.0	624.0	625.2
Sept	635.0	639.6	629.0	636.1
Dec	645.3	650.0	638.5	646.3
Jan	649.0	—	—	650.0
March	656.5	655.0	655.0	657.6
May	664.9	662.0	660.0	665.6
July	673.2	—	—	673.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Oct	4.78	4.88	4.75	4.81
Jan	5.35	5.43	5.30	5.44
March	5.86	6.05	5.85	5.96
May	6.18	6.28	6.11	6.23
July	6.31	6.50	6.31	6.44
Sept	—	—	—	—
Oct	6.56	6.67	6.54	6.65

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	60.25	61.35	60.15	61.75
Dec	57.10	59.40	57.10	58.60
Feb	55.80	58.85	55.72	57.05
April	57.00	57.85	56.70	58.20
June	56.82	57.80	56.40	57.80
August	55.30	55.65	55.30	56.55
Oct	55.00	55.90	55.00	55.90

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	54.90	58.00	54.80	58.40
Dec	54.27	58.58	54.27	59.77
Feb	52.67	54.00	52.67	54.17
April	47.18	48.50	47.12	48.62
June	48.97	50.20	48.80	50.30
July	48.55	48.90	48.50	50.00
August	46.90	47.80	46.57	48.37
Oct	43.75	44.40	42.80	44.21
Dec	43.86	44.00	43.20	44.40

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Dec	166.2	168.0	165.0	164.8
March	177.2	178.6	175.4	175.6
May	183.4	185.0	182.0	182.0
July	185.2	186.8	184.0	184.0
Sept	188.4	185.0	183.0	183.0
Dec	187.4	189.0	186.6	187.4
March	197.4	198.5	197.4	195.9

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	75.42	76.00	75.42	77.42
March	74.80	75.25	74.00	76.00
May	72.85	74.10	72.85	74.85
July	71.16	72.80	71.16	73.15
August	68.67	69.00	68.40	70.40

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Nov	486.4	490.4	485.0	486.4
Jan	494.6	498.0	493.2	494.5
March	502.6	506.0	501.6	503.0
May	509.2	511.4	507.6	508.4
July	511.6	513.6	510.2	510.0
August	510.6	512.4	510.0	508.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	150.3	151.0	150.1	151.3
Dec	151.5	153.5	151.5	152.9
Jan	152.1	153.7	152.0	153.8
March	152.9	154.5	152.8	154.1
May	154.2	154.7	154.2	155.2
July	154.2	155.5	154.2	155.2
August	155.2	155.5	154.6	156.5
Sept	154.5	155.0	154.5	156.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Oct	14.29	14.42	14.17	14.15
Dec	14.98	15.01	14.75	14.73
Jan	15.00	15.18	14.93	14.90
March	15.29	15.45	15.20	15.27
May	15.52	15.86	15.43	15.40
July	15.72	15.85	15.59	15.57
August	15.70	15.86	15.65	15.56
Sept	15.73	15.10	15.73	15.52
Oct	15.85	16.15	15.85	15.50

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Dec	257.2	263.0	257.0	262.0
March	253.4	257.6	253.4	158.0
May	240.4	243.4	240.4	241.0
July	231.4	233.6	231.0	232.0
Sept	234.0	—	—	234.0

SPOT PRICES—Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 600.000 (594.00) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

EEC pledge boosts dollar

THE DOLLAR finished below its best level but was still up sharply from Friday, following agreement over the weekend among EEC officials to seek an agreement to halt the dollar's decline. The decision came in the wake of last week's fall by the dollar to a record low against the yen and a 5½-year low in terms of the D-Mark. Early trading saw speculators anxious to cover short positions and this boosted the dollar but towards noon activity eased ahead of the opening of US markets.

However there was little reaction as US markets started to trade. The market became cautious because the current position leaves a few important questions unanswered. There were doubts about how effective central bank intervention would be in trying to reverse a trend—dollar sentiment remains bearish — and whether US authorities would simply resume their attempts to talk the dollar down. After the initial covering of positions, there was some reluctance to try to establish a trend during what was seen as the first cease fire in the recent war of words.

The dollar touched a high of DM 2.0490 against the D-Mark before finishing at DM 2.0315 up from DM 1.9920 on Friday. Against the yen it rose to Y153.60 from Y152.35 and SFr 1.6385 compared with SFr 1.61. Against the French franc it closed at FFr 6.6450 from FFr 6.5250. On Bank of England figures, the dollar's exchange rate index rose from 108.9 to 110.0.

The EEC decision had an immediate effect within the European Monetary System by relieving pressure on the weaker members, notably the Danish krone. The latter was placed within its divergence limit and improved against the D-Mark.

STERLING — *Trading range against the dollar in 1986 is* 1.5555 to 1.3700. August average 1.4870. Exchange rate index fell to 69.5 from 69.6, having opened at 69.9. The six months ago figure was 75.9.

The pound rose in early trading in line with the dollar but then started to ease back as traders saw that the recent EEC announcement had changed none of the fundamentals making up sterling's bearish undertone. It recovered to finish up in terms of the D-Mark at DM 2.9575 from DM 2.94 but fell to a record low against the yen to Y223.75 from Y224.75. It was also lower against the Swiss franc at SFr 2.3725 from SFr 2.3775 but rose in terms of the French franc to FFr 9.6775 from FFr 9.63. Against the dollar it fell to fell to $1.4565 from $1.4760.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 1.9900. August average 2.0624. Exchange rate index 140.6 against 134.2 six months ago.

Initial reaction to the EEC meeting at Gleneagles pushed the D-Mark weaker in Frankfurt yesterday. Short covering developed from the outset but afterwards trading started to slow down as traders became anxious about any possible response from the US. The dollar was fixed at DM 2.0300 up from DM 1.19950 and there was no intervention by the Bundesbank. However dealers were cautious because there now seemed a greater chance of central banks intervening should the dollar resume its downward path. The dollar was fixed without intervention at DM 2.0300 up from DM 1.9950 *on Friday*. It closed at DM 2.0305 against DM 1.9905

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 152.35. August average 154.15. Exchange rate index 217.8 against 195.1 six months ago.

The yen fell sharply in Tokyo *on news of renewed efforts by* EEC nations to limit the dollar's recent sharp fluctuations. The dollar closed at Y154.10 up from Y151.95 in New York and Y153.60 in Tokyo on Friday. much of the speculative demand was seen before the start of trading in Tokyo and opart from some late short covering, the yen remained within a fairly narrow range. Dealers were anxious to see how European and US markets responded. There was also caution ahead of today's national holiday in Japan. Elsewhere the D-Mark's fall against the dollar pushed it weaker in terms of the yen to Y75.36 from Y77.01.

£ IN NEW YORK

Sept. 22	Latest	Prev. close
Spot	$1.4560-1.4567	$1.4750-1.4760
1 month	0.48-0.46pm	0.47-0.46pm
3 months	1.52-1.48pm	1.49-1.47pm
12 months	5.85-5.75pm	5.65-5.55pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Sept 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4535-1.4685	1.4560-1.4570	0.47-0.45c pm	3.79	1.50-1.47pm	4.08
Canada	2.0185-2.0340	2.0195-2.0205	0.01c dis-par	0.03	0.01dis-par	0.01
Nethlnd.	3.32¾-3.37	3.33¾-3.34¾	1⅛-1⅛c pm	4.49	4⅛-3⅞pm	4.79
Belgium	61.01-61.85	61.30-61.40	15-10c pm	2.44	44-36pm	2.68
Denmark	11.15-11.25¾	11.16-11.17	1½-¾ore pm	1.48	4½-2¼pm	1.19
Ireland	1.0770-1.0841	1.0780-1.0790	0.06-0.14p dis	−1.11	0.13-0.35dis	−0.86
W. Ger.	2.94½-2.98½	2.95½-2.96¼	1½-1¼pf pm	5.07	4½-4¼pm	5.76
Portugal	212.40-215.16	212.40-214.00	77-140c dis	−9.11	245-389dis	−6.05
Spain	194.65-196.24	194.65-194.95	25-64c dis	−2.74	77-131dis	−2.14
Italy	2,034-2,065½	2,040½-2,041½	1-6lire dis	−2.06	4-11dis	−1.47
Norway	10.65½-10.69¾	10.67½-10.68½	3½-4ore dis	−4.00	9¾-10½dis	−3.79
France	6.64-9.74½	6.67¼-9.68½	2-¾c pm	1.39	6-5½pm	2.30
Sweden	10.04½-10.08¾	10.04½-10.05½	¾-½ore pm	0.60	2¼-1¼pm	0.75
Japan	223-225¾	223½-224¼	1-⅞y pm	5.03	2½-1¾pm	3.35
Austria	20.73-20.94	20.73-20.77	8¼-7gro pm	4.41	24½-21½pm	4.43
Switz.	2.36½-2.40¾	2.36½-2.37¼	1⅛-1c pm	5.69	3⅜-3¼pm	5.80

Belgian rate is for convertible francs. Financial franc 62.10-62.20. Six-month forward dollar 3.05-3.00c pm. 12-month 5.80-5.70c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4535-1.4685	1.4560-1.4570	0.47-0.45c pm	3.79	1.50-1.47pm	4.08
Ireland†	1.3440-1.3633	1.3510-1.3520	0.48-0.38c pm	3.82	1.50-1.30pm	4.14
Canada	1.3864-1.3881	1.3865-1.3875	0.25-0.28c dis	−2.29	0.85-0.90dis	−1.39
Nethlnd.	2.2770-2.3165	2.2950-2.2960	0.15-0.13c pm	0.73	0.46-0.41pm	0.76
Belgium	41.95-42.24	42.05-42.15	3½-5½c dis	−1.28	13-17dis	−1.43
Denmark	7.63¾-7.73	7.66¾-7.66¾	1.50-2.10ore dis	−2.82	6.50-6.20dis	−3.05
W. Ger.	2.0170-2.0490	2.0310-2.0320	0.25-0.23pf pm	1.42	0.80-0.77pm	1.55
Portugal	146¼-147	146½-147	100-140c dis	−9.81	315-415dis	−9.95
Spain	133.40-134.16	133.65-133.75	50-75c dis	−5.61	150-200dis	−5.24
Italy	1,395½-1,413½	1,401¼-1,401¾	6½-8lire dis	−5.78	17½-21dis	−5.48
Norway	7.28½-7.34½	7.33¼-7.33¾	4.50-4.90ore dis	−7.72	14.10-14½dis	−7.82
France	6.60-6.67¾	6.64¼-6.64¾	0.90-1.10c dis	−1.72	2.70-3.00dis	−1.72
Sweden	6.87½-6.92	6.89¾-6.90¼	1.85-1.95ore dis	−3.14	5.80-6.20dis	−3.48
Japan	153.15-154.25	153.55-153.65	0.15-0.10y pm	0.98	0.44-0.39pm	1.08
Austria	14.23-14.37½	14.28½-14.29	1-½gro pm	0.63	2½-⅞pm	0.42
Switz.	1.6250-1.6485	1.6380-1.6390	0.25-0.20c pm	1.65	0.75-0.70pm	1.77

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.60-42.70.

EXCHANGE CROSS RATES

Sep. 22	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.457	2.958	223.8	9.678	2.373	3.343	2041.	2.020	61.35
$	0.687	1.	2.032	153.6	6.645	1.639	2.296	1402.	1.387	42.10
DM	0.338	0.492	1.	75.66	3.272	0.808	1.130	690.1	0.683	20.74
YEN	4.469	6.509	13.22	1000.	43.25	10.60	14.94	9120.	9.028	274.2
F Fr.	1.033	1.505	3.056	231.2	10.	0.452	3.454	2109.	2.087	63.39
S Fr.	0.421	0.614	1.247	94.31	4.079	1.	1.409	860.3	0.851	25.86
H Fl.	0.299	0.436	0.885	66.94	0.895	0.710	1.	610.6	0.604	18.35
Lira	0.490	0.714	1.449	109.6	4.742	1.162	1.638	1000.	0.990	30.06
C $	0.495	0.721	1.464	110.8	4.791	1.175	1.655	1010.	1.	30.37
B Fr.	1.630	2.374	4.821	364.7	10.77	3.867	0.448	3307.	3.293	100.0

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Sept. 22	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	8⅞-8⅝	9-9⅛	9⅞-9⅞	10⅛-10⅜	10⅛-10⅜	10⅞-10⅞
U.S. Dollar	5⅞-5⅞	5⅞-5⅞	5⅞-6⅛	6-6⅛	6-6⅛	6⅛-6⅛
Can Dollar	7¼-8	7¾-8¼	8⅛-8⅛	8⅛-8¾	8⅛-8⅞	8⅞-9⅛
D Guilder	5¼-5⅜	5¼-5⅜	5⅛-5⅜	5⅛-5⅜	5⅞-5⅞	5⅛-5⅜
Sw. Franc	⅛-1	10¼-10⅛	4⅛-4⅞	4⅛-4⅞	4¼-4⅜	4¼-4⅜
Deutschmrk	4⅜-4¾	4⅜-4¾	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4⅜-4¾
Fr. Franc	7¼-7⅛	7¾-8¼	7¾-8	7¾-8	7¾-8	7¾-8
Italian Lira	10-11	11-15	11⅛-13⅛	11⅜-11⅞	11-11⅜	10⅞-11¼
B.Fr.(Fin)	0⅞-7⅛	7⅛-7⅜	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞
B.Fr.(Con)	6¾-7⅛	7⅜-7⅞	7⅜-7⅞	7⅜-7⅞	7⅜-7⅞	7⅜-7⅞
Yen	5-5⅛	0⅜-5⅛	5⅞-5⅜	5-5⅛	4⅞-5	4⅞-4⅞
D. Krone	0⅛-10	10-10⅛	10⅛-10⅜	9¾-10¼	9¾-10⅛	0¾-10⅛
Asian $ (Sng)	0⅞-6	0⅞-6	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	0¼-6⅜

Long-term Eurodollars: two years 6⅞-7⅛ per cent; three years 7⅛-7⅛ per cent; four years 7⅛-8 per cent; five years 7⅝-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

CURRENCY MOVEMENTS

Sept. 22	Bank of England Index	Morgan Guaranty Change %
Sterling	69.5	−23.5
U.S. Dollar	110.0	+1.0
Canadian Dollar	77.1	−12.9
Austrian Schilling	151.9	+8.5
Belgian Franc	95.9	−0.1
Danish Kroner	86.8	+1.1
Deutsche Mark	140.6	+18.4
Swiss Franc	169.4	+25.4
Guilder	129.6	+12.1
French Franc	69.0	−15.5
Lira	47.7	−10.0
Yen	217.8	+01.8

Morgan Guaranty changes: Average 1980-82=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Sept. 22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.851403	0.708601
US $	5½	1.21865	1.03101
Canadian $	8.53	*	1.43054
Austria Sch	4	17.5134	14.6992
Belgian Fr	8	50.9458	43.3826
Danish Kr	7	9.30559	7.90067
D'mark	3½	N/A	2.09296
Guilder	4½	2.77743	2.36458
French Fr	9½	8.04847	6.84903
Lira	12	1686.75(1)	1444.97
Yen	3½	186.535	158.209
Norway Kr	8	8.85361	7.54867
Span'h Pta	—	162.068	137.795
Swedish Kr	8	8.35108	7.11091
Swiss Fr	4	1.98519	1.68874
Greek Drch	20½	163.486	139.135
Irish Punt	—	0.889222	0.763149

* C$/SDR rate for Sept 19: 1.68686.

OTHER CURRENCIES

Sept. 22	£	$
Arg'tina	1.5325-1.5380	1.0510-1.0540
Aus'alia	2.3060-2.3100	1.5850-1.5870
Brazil	20.07-20.20	13.77-13.84
Finland	7.1160-7.1260	4.8955-4.8970
Greece	196.10-199.50	135.92-136.16
H'kong	11.3445-11.3445	7.8005-7.8025
Iran	111.20*	76.40*
Kuwait	0.4270-0.4280	0.2925-0.2930
Lux'burg	61.30-61.40	42.05-42.15
Malaysia	3.8200-3.8500	2.5280-2.6310
N'Z'land	3.0575-3.0975	2.1010-2.1075
Saudi Ar	5.4705-5.4750	3.7495-3.7500
Sin'pore	3.1550-3.1900	2.1690-2.1710
SAf (Cm)	3.9105-3.2340	2.0115-2.9155
S.Af.(Fn)	5.9405-6.1935	4.0815-4.2555
U.A.E.	5.3560-5.3635	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1130	42.3825	+0.62	+0.32	±1.5368
Danish Krone	7.81701	7.90067	+1.07	+1.27	±1.6403
German D-mark	2.11083	2.09296	−0.85	−0.65	±1.1127
French Franc	6.87319	6.84903	−0.35	−0.15	±1.3653
Dutch Guilder	2.37833	2.36483	−0.58	−0.38	±1.5069
Irish Punt	0.764976	0.763140	−0.24	−0.04	±1.6683
Italian Lira	1476.95	1444.97	−2.17	−2.14	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Mixed changes

PRICES SHOWED mixed changes in the London International Financial Futures Exchange yesterday. Trading was lacklustre after the weekend announcement by EEC ministers of their pledge to stop the dollar from falling further. While the dollar benefited from the news, there was insufficient conviction to change what remains a bearish outlook for the US Unit, continued thoughts of lower cash prices and ultimately a boost in the value of future contracts.

While three-month Eurodollars and US Treasury bonds finished up on the day, three-month sterling deposits and gilts were weaker. The latter two were both firmer initially as sterling reacted in line with a stronger dollar on the EEC announcement however. Three-month sterling for December delivery opened at 89.42 up from 89.34 and moved up on lower cash rates to a high of 89.52. However sterling started to slide during mid morning and early enthusiasm quickly evaporated so that a low of 89.26 was quickly reached as sellers took the lead. Short covering enabled a recovery to 89.35 but values were punished towards the close

US Treasury bonds opened at 92-28 for December up from 92-13 following on Chicago late rise on short covering. However values then traded within a fairly tight band, touching a high of 93-07 before the start of Chicago. Afternoon trading took it back to a low of 92-17 before finishing at 93-00.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
116	0.49	1.50	—	—	4.63	6.16	—	—
118	0.28	1.17	—	—	6.40	7.47	—	—
120	0.13	0.56	—	—	8.27	9.22	—	—
122	0.06	0.28	—	—	10.20	11.04	—	—
124	0.03	0.25	—	—	12.17	12.55	—	—
126	0.01	0.19	—	—	14.15	14.46	—	—
128	0.00	0.10	—	—	16.14	16.40	—	—
130	0.00	—	—	—	18.14	—	—	—

Estimated volume total, Calls 693, Puts 524
Previous day's open int. Calls 14,756, Puts 4,236

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
88	5.52	6.38	—	—	0.52	2.22	—	—
90	4.25	5.27	—	—	1.25	3.21	—	—
92	3.11	4.24	—	—	2.11	4.18	—	—
94	2.13	3.32	—	—	3.13	5.26	—	—
96	1.30	2.48	—	—	4.30	6.42	—	—
98	0.59	2.08	—	—	5.59	8.02	—	—
100	0.36	1.40	—	—	7.36	9.34	—	—
102	0.21	1.14	—	—	9.21	11.08	—	—

Estimated volume total, Calls 45, Puts 21
Previous day's open int. Calls 532, Puts 1,018

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Oct	Nov	Dec	Mar	Puts—Last Oct	Nov	Dec	Mar
1.30	—	—	15.81	15.81	—	—	0.24	1.39
1.35	10.81	10.81	10.81	10.81	0.03	0.38	0.79	2.54
1.40	5.87	6.18	6.43	7.42	0.37	1.30	2.03	4.52
1.45	2.35	3.15	3.61	4.96	1.85	3.27	4.21	7.06
1.50	0.59	1.32	1.78	3.16	5.08	6.44	7.38	10.28
1.55	0.05	0.45	0.77	1.81	9.59	10.57	11.37	14.01
1.60	0.01	0.12	0.29	1.10	14.81	15.34	15.89	18.20

Estimated volume total, Calls 510, Puts 155
Previous day's open int. Calls 2,302, Puts 2,819

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Oct	Nov	Dec	Mar	Puts—Last Oct	Nov	Dec	Mar
135	—	—	19.80	19.80	—	—	1.50	2.20
140	5.10	5.30	5.65	7.50	0.30	1.40	2.20	4.35
145	2.00	3.20	3.65	4.70	1.95	3.40	4.40	6.70
150	0.55	1.25	1.80	2.80	5.40	6.50	7.80	9.90
155	0.20	0.55	0.80	1.70	10.10	10.90	11.60	13.70
160	—	—	0.50	1.00	—	—	16.10	17.65
165	—	—	0.70	1.50	—	—	18.10	20.20

Previous day's open int. Calls 2,377, Puts 1,900
Volume 161

PHILADELPHIA £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Oct	Nov	Dec	Mar	Puts—Last Oct	Nov	Dec	Mar
1.30	—	—	15.45	—	—	—	0.20	—
1.35	10.45	—	10.45	10.45	—	—	0.70	2.05
1.40	0.80	6.05	6.35	17.15	0.20	1.25	1.80	3.80
1.45	2.05	2.65	3.45	4.45	1.80	3.10	3.50	6.20
1.50	0.40	1.05	1.65	2.60	4.65	6.15	6.95	9.35
1.55	0.05	0.35	0.65	1.50	9.45	10.35	10.95	12.95
1.60	—	0.10	0.25	0.80	14.45	14.95	15.45	17.25

Previous day's open int. Calls 582, Puts 109
Previous day's volume, Calls 31,320, Puts 37,338

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
9225	1.58	1.48	—	—	0.05	0.03	—	—
9250	1.33	1.25	—	—	0.00	0.05	—	—
9275	1.09	1.03	—	—	0.01	0.08	—	—
9300	0.85	0.82	0.74	—	0.02	0.12	0.26	—
9325	0.63	0.63	0.57	—	0.05	0.18	0.34	—
9350	0.43	0.43	0.40	0.42	0.10	0.26	0.45	—
9375	0.27	0.32	0.31	—	0.19	0.37	0.58	—

Previous day's open int. Calls 1,139, Puts 1,265
Estimated volume, Calls 25, Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	111-24	111-15	111-15	111-29
Dec	111-25	113-00	111-06	112-00
March	111-17	111-10	—	111-24
June	111-17	—	—	111-24

Est. volume 10,875 (17,279)
Previous day's open int. 14,308 (14,132)
Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) −4 to 4 (32nds)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
Sept	97-25	—	—	97-88
Dec	97-22	97-60	97-00	97-65
March	97-22	—	—	97-55

Est. volume 84 (51)
Previous day's open int. 1,360 (1,368)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	162.00	162.05	160.80	159.15
Dec	165.10	165.45	163.80	162.30
March	168.10	—	—	165.30

Est. volume 243 (1,042)
Previous day's open int. 2,278 (2,086)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Dec	93.83	93.84	93.77	93.64
March	93.70	93.71	93.64	93.42
June	93.46	93.46	93.42	93.10
Sept	93.16	93.11	93.10	92.72
Dec	92.78	—	—	92.34
March	92.40	—	—	91.98

Est. volume 3,234 (5,610)
Previous day's open int. 22,738 (22,370)

US TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	93-00	93-07	92-17	92-13
March	92-03	—	—	91-19

Est volume
Previous day's open int.

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Dec	89.27	89.52	89.26	89.34
March	89.41	89.55	89.41	89.47
June	89.56	89.65	89.53	89.54
Sept	89.57	89.57	89.53	89.43

Est. volume 4,187 (7,417)
Previous day's open int. 12,761 (12,378)

CHICAGO

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Dec	93.84	93.85	93.79	93.76
March	93.69	93.71	93.66	93.62
June	93.47	93.49	93.42	93.39
Sept	93.13	93.16	93.11	93.08
Dec	92.76	92.78	92.74	92.69
March	92.39	92.41	92.36	92.32
June	92.03	92.05	92.00	91.99
Sept	91.69	91.69	91.67	91.61

US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	93-03	93-12	92-21	92-18
March	92-03	92-12	91-22	91-19
June	91-05	91-11	90-24	90-19
Sept	90-08	90-10	89-28	89-22
Dec	—	—	—	88-27
March	—	—	—	88-02
June	—	—	—	87-12
Sept	—	—	—	—
Dec	—	—	—	86-07
March	—	—	—	85-26
June	85-25	86-01	85-25	86-01

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	—	—	—	94.24
Dec	—	—	—	94.11

US TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	94.79	94.82	94.78	94.27
Dec	94.69	94.71	94.62	94.54
March	94.63	94.63	94.56	94.56
June	—	94.46	94.43	94.39
Sept	94.16	94.17	94.15	94.10
Dec	93.82	93.83	93.82	93.77
March	93.48	93.48	93.47	93.43
June	93.12	93.12	—	93.10

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4585	1.4519	1.4417	1.4269	1.3980

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4465	1.4490	1.4400	1.4600
March	1.4315	1.4315	1.4240	1.4467
June	1.4220	1.4240	1.4100	1.4320

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4440	1.4485	1.4403	1.4580
March	1.4280	—	—	1.4402
June	1.4150	—	—	1.4267

Est. volume 317 (401)
Previous day's open int. 824 (1,024)

STERLING INDEX

	Sept 22	Previous
8.30 am	69.9	69.5
9.00 am	69.8	69.5
10.00 am	69.6	69.7
11.00 am	69.5	69.7
Noon	69.4	69.7
1.00 pm	69.4	69.6
2.00 pm	69.3	69.6
3.00 pm	69.5	69.3
4.00 pm	69.5	69.6

MONEY MARKETS

UK rates ease despite weak pound

INTEREST RATES were mostly easier in London yesterday following the agreement over the weekend by EEC ministers pledging support for the dollar. While the dollar benefited, sterling did not but there was no immediate fear or upward pressure on UK base rates. However discount houses were not slow to sell longer dated bills when the Bank took out the shortage. Three-month interbank money was quoted at 10⅛-10⅛ per cent compared with 10⅛-10⅞ per cent. Overnight money opened at 9¼ per cent and tended to drift during the day down to a low of around 3 per cent.

The Bank of England forecast a shortage of around £350m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £899m. These were offset by Exchequer transactions which added £195m and a fall in the note circulation of £335m. In addition banks brought forward balances just £5m above target.

The shortage was revised to £400m and the Bank gave assistance in the morning of £386m which comprised outright purchases of £77m of eligible bank bills in band 3 at 9¾ per cent *and in band 4 £2m of local* authority bills and £307m of eligible bank bills all at 9⅞ per cent.

The forecast was revised once more this time to a shortage of around £450m and the Bank gave additional assistance in the afternoon of £79m through outright purchases of £9m of eligible bank bills in band 3 at 9¾ per cent and £70m in band 4 at 9⅞ per cent. Total help came to £465m.

In Frankfurt the Bundesbank announced its intention to offer a 28-day sale and repurchase agreement at a fixed rate of 4.35 per cent. The effect of the package was two-fold. It underlined the authorities' determination to keep interest rates steady—the rate was unchanged from the previous facility—and also created an opportunity to replace funds lost through a maturing agreement tomorrow of DM 6.8bn. In addition banks have had to contend with a draining of funds caused by large corporate tax payments.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES
(Lunchtime)

Prime rate	7½
Broker loan rate	6⅞-7
Fed funds	5¹¹⁄₁₆
Fed funds at intervention	5¹¹⁄₁₆
Treasury Bills & Bonds	
One month	5.17
Two month	5.19
Three month	5.26
Six month	5.61
One year	5.72
Two year	6.48
Three years	6.74
Four year	7.02
Five year	7.08
Seven year	7.42
10 year	7.62
30 year	7.90

ETAOINaCMFWYP

MONEY RATES

Sept. 22	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v't'n
Frankfurt	4.45-4.55	4.45-4.60	4.45-4.60	4.45-4.60	4.50-4.65	5.5
Paris	7⅛	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	⅞-1⅛	4¼-4⅜	—	4¼-4⅜	—	—
Amsterdam	5⅛-0⅞	5⅛-5⅞	—	5¼-5⅜	—	—
Tokyo	4.59375	4.96875	—	4.78125	—	—
Milan	10⅞-11¼	10⅝-11	—	10¾-11¼	—	—
Brussels	4.55	7¼-7⅜	—	7¼-7⅜	—	—
Dublin	9⅝-9¾	9⅞-10	10⅛-10¼	10⅛-10⅞	10⅞-11⅛	—

FT LONDON INTERBANK FIXING
(11.00 a.m. September 22)

Three months US dollars bid 6	offer 6 ⅛	Six months US dollars bid 6	offer 6 ⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

September 22	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	3-9¼	9⅛-9⅛	9¾-9⅞	10⅛-10⅛	10⅛-10⅛	10⅜-10⅜
Sterling CDs	—	—	9⅞-9⅞	10⅛-10⅛	10¼-10⅛	10¼-10⅜
Local Authority Depos	8¾-8⅞	2⅛-9⅛	9¾	10⅛-10⅛	10⅛-10⅛	10⅛-10⅞
Local Authority Bonds	—	—	10	10⅛	10⅞	10⅞
Discount Mkt. Depos	3-8⅛	0⅛	0⅝	9⅝	—	—
Company Depos	9⅛-9¾	0⅛-10	9⅞-10	10⅛	10⅛	10½
Finance House Depos	—	—	9⅞	10⅛	10¼	10⅝
Treasury Bills (Buy)	—	—	9¾	9⅞	—	—
Bank Bills (Buy)	—	—	0⅞	9⅞	10	—
Fine Trade Bills (Buy)	—	—	10¼	10⅛	10⅝	—
Dollar CDs	—	—	6.05-6.10	6.00-6.05	5.95-6.00	5.80-6.25
SDR Linked Depos	—	—	0⅛-6⅛	6⅛-6⅛	6⅛-6⅛	0⅛-6⅜
ECU Depos	—	—	7¼-7⅜	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛

Treasury Bills (sell): one month 9⅝ per cent; three months 9¹¹⁄₃₂ per cent. Bank Bills (sell): one month 9²³⁄₃₂ per cent; three months 9²³⁄₃₂ per cent. Treasury Bills: Average tender rate at discount 9.6665 per cent. ECGD Fixed Finance Scheme IV reference date August 0 to September 2 (inclusive): 9.880 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9⅛ per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 9¾ per cent from August 21. Deposits held under Series 5 9⅞ per cent. Deposits withdrawn for cash 5½ per cent.

£WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on September 22, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00	Ghana	Cedi	133.12	Panama	Balboa	1.4565
Albania	Lek	9.99	Gibraltar	Gibraltar £	1.0	Papua New Guinea	Kina	1.4312
Algeria	Dinar	6.76	Greece	Drachma	197.80	Paraguay	Guarani	350.54 (00) / 871.45 (7)
Andorra	French Franc / Spanish Peseta	9.6775 / 194.80	Greenland	Danish Krone	11.1650	Peru	Inti	exc(A)20.34
Angola	Kwanza	44.963	Grenada	E. Caribbean $	3.94	Philippines	Philippine Peso	29.40
Antigua	E. Caribbean $	3.94	Guadaloupe	Local Franc	9.6775	Pitcairn Islands	£ Sterling / New Zealand $	— / 3.0625
Argentina	Austral	1.5353	Guam	U.S. $	1.4565	Poland	Zloty	295.85
Aruba	Florin	2.6217	Guatemala	Quetzal	1.4565 / (F) 4.2661	Portugal	Escudo	213.20
Australia	Australian $	2.9080	Guinea	Franc	496.23 (19)	Puerto Rico	U.S. $	1.4565
Austria	Schilling	20.75	Guinea-Bissau	Peso	248.81			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102[illegible]	100[illegible]	Exch. 14pc 1986	100[illegible]	.....	13.[illegible]	10.22
[illegible]	94[illegible]	Exch. 2½pc 1986	99[illegible]	+[illegible]	[illegible]	8.30
102[illegible]	100[illegible]	Exch. 13pc 1987	100[illegible]	.....	13.15	10.50
[illegible]	97[illegible]	Treas 10¼pcCv '87	99[illegible]	.....	[illegible]	10.35
[illegible]	92[illegible]	Exch 2½pc 1987	97[illegible]	+[illegible]	[illegible]	8.13
101[illegible]	97[illegible]	Exch. 10½pc 1987	100[illegible]	.....	[illegible]	10.56
[illegible]	93[illegible]	Funding 6½pc '85-87‡‡	98[illegible]	.....	[illegible]	9.72
[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]	.....	[illegible]	10.37
97	90[illegible]	Treas 3pc 1987	95[illegible]	.....	[illegible]	8.36
[illegible]	99[illegible]	Treas. 12pc 1987	101[illegible]	–[illegible]	11.[illegible]	10.56
[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	97	–[illegible]	7.[illegible]	10.13
104	96[illegible]	Exch 10½pc '88	99[illegible]	–[illegible]	[illegible]	10.67
102[illegible]	95[illegible]	Treas 9½pc Cv '88	98[illegible]	–[illegible]	9.[illegible]	10.64
94¼	86[illegible]	Transport 3pc '78-88	91[illegible]	–[illegible]	3.28	8.32
102[illegible]	93[illegible]	Treas. 9½pc '88	97[illegible] xd	–[illegible]	9.71	10.72
107[illegible]	98[illegible]	Treas 11½pc 1989	101[illegible]	–[illegible]	11.35	10.83
103[illegible]	93[illegible]	Treas 9½pc Cnv. '89	97[illegible] xd	–[illegible]	9.76	10.74
92[illegible]	82[illegible]	Treas 3pc 1989	88[illegible]	–[illegible]	3.41	8.09
105[illegible]	95[illegible]	Treas 10½pc 1989	99[illegible]	–[illegible]	10.60	10.83
104[illegible]	94[illegible]	Exch 10pc 1989	97[illegible]	–[illegible]	10.22	10.89
107[illegible]	97	Exch 11pc 1989	100[illegible] xd	–½	10.95	10.73
93[illegible]	84[illegible]	Treas 5pc 1986-89	89[illegible] xd	–[illegible]	5.59	9.06
110[illegible]	94[illegible]	Exch 10½pcCv '89	100[illegible]	–[illegible]	10.19	10.81
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	105[illegible]	–½	12.29	10.86
[illegible]	97[illegible]	Exch 11pc 1990‡‡	100[illegible]	–½	10.[illegible]	10.92
117[illegible]	101[illegible]	Exch. 12½pc 1990	104[illegible] xd	–½	11.[illegible]	10.94
[illegible]	79[illegible]	Treas. 3pc 1990	84	–[illegible]	[illegible]	8.19
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	94[illegible]	–½	[illegible]	10.00
106[illegible]	93	Treas. 10pcCv 1990	97[illegible] xd	–[illegible]	[illegible]	10.91
[illegible]	76½	Exch 2½pc 1990	83¼	.....	[illegible]	7.90
112[illegible]	99[illegible]	Treas 11¾pc 1991	105	–[illegible]	11.[illegible]	10.82
[illegible]	83[illegible]	Funding 5¾pc '87-91‡‡	88[illegible] xd	–[illegible]	[illegible]	8.82
[illegible]	81	Treas. 3pc 1991●	81	–[illegible]	3.[illegible]	7.98
		Five to Fifteen Years				
[illegible]	96[illegible]	Exch. 11pc 1991	100[illegible] xd	–[illegible]	10.[illegible]	10.79
[illegible]	103[illegible]	Treas 12¾pc 1992‡‡	107[illegible]	–[illegible]	[illegible]	10.86
[illegible]	92[illegible]	Treas 10pc 1992	96[illegible]	–[illegible]	[illegible]	10.79
[illegible]	94[illegible]	Treas 10½pc Cv 1992‡‡	98[illegible]	–[illegible]	[illegible]	10.79
[illegible]	101[illegible]	Exch. 12¼pc '92	105[illegible]	–[illegible]	11.[illegible]	10.90
[illegible]	106[illegible]	Exch 13½pc 1992	111 xd	–[illegible]	[illegible]	10.95
108	94[illegible]	Treas 10pc 1993‡‡	96[illegible] xd	–½	[illegible]	10.77

AMERICANS—Cont.

1986 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37[illegible]	28[illegible]	Chemical New York	29[illegible] xd	–[illegible]	[illegible]	—	6.0
35[illegible]	26[illegible]	Chesebrough-Pond's $1	29[illegible] xd		[illegible]	—	4.6
31[illegible]	19[illegible]	Chrysler $6¼	25[illegible] xd	+[illegible]	[illegible]	—	5.7
42[illegible]	33[illegible]	Citicorp $4	34[illegible] xd	.....	[illegible]	—	4.4
12[illegible]	774p	CityFed Fin. Corp.	10[illegible]	.....	[illegible]	—	2.6
28[illegible]	21[illegible]	Colgate-P. $1	25[illegible]	+[illegible]	[illegible]	—	3.6
66[illegible]	42[illegible]	Colt Inds. $1	64[illegible] xd	–[illegible]	[illegible]	—	3.3
23	16[illegible]	Cons. Freightways $0.625	22[illegible]	.....	[illegible]	—	2.4
819p	399p	Cont Illinois Corp $1	434p	.....	—	—	—
89[illegible]p	13[illegible]	Cont. Illinois Hldgs $1	15p	.....	—	—	—
64p	39p	♦Corporate Data Sces.	46p	.....	—	—	—
13[illegible]	480p	Cullinet Sftwr $0.1	565p	+14	—	—	—
287p	34p	Damson Oil 40c	68[illegible]	–7½	—	—	—
23[illegible]	17[illegible]	Dana Corp. $1	18[illegible]	+¼	$1.28	—	4.6
33[illegible]	20[illegible]	Data General	22[illegible]	+1	—	—	—
24[illegible]	8[illegible]	♦Derma-Lock Medic'	9[illegible]	.....	—	—	—
79	55[illegible]	Dun & Bradstreet $1	67½	+1	$2.56	—	2.6
52[illegible]	42[illegible]	Exxon Corpn. 50c	46[illegible]	+1	$1.60	—	2.4
25[illegible]	18[illegible]	FPL Group $0.01	22[illegible]	+[illegible]	$2.04	—	6.5
13[illegible]	625p	Fairmont Fin.	11[illegible]	+[illegible]	—	—	—
11[illegible]	505p	Fin. Corpn. Amer. 50c	565p	–11	—	—	—
23[illegible]	17[illegible]	First Chicago $5	18[illegible]	+[illegible]	$1.32	—	4.9
42½	25[illegible]	Ford Motor $2	35[illegible]	–[illegible]	$2.20	—	4.2
28[illegible]	20	GATX 62½c	21[illegible] xd	–½	$1.50	—	4.7
54[illegible]	47[illegible]	Gen. Elect. $1½	48[illegible]	–[illegible]	$2.32	—	1.3
16[illegible]	612p	♦General Host Corp $1	970p	+48	[illegible]	—	1.3
32[illegible]	24	Gillette $1	26	.....	$2.[illegible]	—	7.1
15[illegible]	10	Gt.Am First Svgs Bk $1	12 xd	–[illegible]	[illegible]	—	1.5
31[illegible]	23[illegible]	Gt. Western Fin. $1	27[illegible]	+[illegible]	[illegible]	—	3.0
25[illegible]	18[illegible]	Greyhound $1.50	21[illegible]	+[illegible]	[illegible]	—	3.9
20[illegible]	11[illegible]	Hasbro Inc $0.50	17½	+[illegible]	[illegible]	—	0.4
57[illegible]	42	Honeywell $1.50	48[illegible]	–[illegible]	[illegible]	—	2.8
28	22[illegible]	Hospital Corp Am $1	25[illegible]	+[illegible]	[illegible]	—	1.3
24[illegible]	19[illegible]	Houston Inds Inc[illegible]	22[illegible]	+[illegible]	[illegible]	—	8.5
112[illegible]	87[illegible]	IBM Corpn $1.25	93[illegible]		[illegible]	—	3.3
19[illegible]	12[illegible]	IC Industries	17[illegible] xd	+[illegible]	[illegible]	—	2.8
38[illegible]	25[illegible]	ITT Corpn. $1	34	+[illegible]	[illegible]	—	2.0
314p	141p	♦Ingalpon Inc	193p	+11	—	—	—
46[illegible]	34½	Ingersoll-Rand $2	38[illegible]	+[illegible]	[illegible]	—	4.6
16[illegible]	12[illegible]	Insilco $1	14	.....	[illegible]	—	4.9
12[illegible]	806p	IU Intnl. $1.15	947p	.....	[illegible]	—	4.3
40[illegible]	29[illegible]	Lockheed Crpn. $1	38[illegible]	+½	[illegible]	—	3.3
24	18[illegible]	Lone Star Inds $1	19[illegible]	+[illegible]	$1.[illegible]	—	6.6

Undated

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INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
180	82	‡Midland Marts	173	......	ϕ4.0	1.0	3.3	41.5
78½	45	Mitchell Cotts	45	......	4.25	1.5	13.3	(6.4)
124	81	‡Monks & Crane 10p	118	......	L2.7	2.9	3.2	14.4
317	210	Morgan Crucible	248	−2	†8.5	1.7	4.9	15.3
23½	15½	‡Morris (W) F.A. 20p	22½	+½	—	—	—	—
152	65	Myson Grp 10p	149	−3	†2.63	2.6	2.5	19.0
365	279	‡NMW Computers	280	−5	6.0	3.6	3.0	16.1
40	27	Nash Inds.	40	......	†0.5	—	1.8	—
*27½	15½	Neil & Spencer 10p	19	......	ϕh—	—	—	—
39	28	Newman Inds 10p	34xd	−1	†0.8	1.5	3.3	(26.0)
154	65	Noble & Lund 10p	122	+1	0.7	4.5	0.8	40.2
65	39	Notton	39	......	†0.95	7.0	3.4	5.6
150	96	‡Norank Systems 5p	140xd	......	w1.5	—	1.5	17.9
286	187	Nurcros	239	......	9.3	2.2	3.5	11.4
180	49	Nu-Swift 5p	158	−2	3.5	2.1	3.1	21.2
£355	£228	OCE 9pc Cnv 1987-92	£350	......	Q9%	—	†2.6	—
118	80	Oakwood Grp.	85	......	‡5.0	1.3	‡	11.8
250	205	Office & Elect.	220	......	8.5	2.9	3.4	9.8
185	70	Oldacre 20p	175	......	ϕ5.0	ϕ	4.1	ϕ
36	22	‡Optometrics $0.01	22	......	—	—	—	—
890	500	Oriflame £1	865	−5	†24.5	2.1	4.8	16.6
10	5	Ozalume 12½c	5	......	ϕQ3.23c	1.9	18.1	2.9
142	85	‡PCT Grp 10p	115xd	......	d3.2	—	5.7	—
£20½	£13⅝	PLM 'B' Sk 25	£17⅝	−⅛	Q23.2%	0.3	3.3	—
195	114	PSM Intl	188	......	ϕ5.5	2.1	4.1	14.3
255	167	‡Pacer Systems $0.01	170	......	[illegible]	3.4	1.6	18.9
78	56	‡Pacific Sales 10p	58xd	......	3.0	ϕ	7.3	ϕ
445	246	Parker Knoll 'A'	432	+14	12.0	ϕ	4.0	ϕ
555	208	‡Parkfield Group 5p	475	......	3.6	4.2	1.1	30.2
53	17	‡Pavion Intl	28	......	—	—	—	3.5
£130	£70	Do 11pc CvLn '94-02	£73	......	Q11%	—	0.2	—
608	393	Pearson	522xd	+12	†10.0	2.8	2.7	17.0
27	12	Peek Holdings 3p	27	+1	—	—	—	—

LEISURE—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
390	269	LWT	388	......	†14.4	1.8	3.1	14.5
187	137	Lee International 10p	165	+2	L3.8	ϕ	3.3	ϕ
46	32	‡Leisure Inv 10p	45½	......	—	—	—	22.3
115	58	Leisuretime Int 10p	89	......	†2.3	ϕ	3.6	ϕ
117	100	‡Lewmar	105	......	u2.63	3.5	3.5	12.1
98	88	‡Marina Dev. 50p	88	......	R3.13	3.0	3.0	8.5
220	125	‡Media Tech Int 20p	125xd	......	2.8	ϕ	3.2	ϕ
*170	130	Medminster 10p	140	......	†5.35	2.7	5.4	9.9
220	130	‡Miss World 10p	205	+5	†5.2	3.3	3.6	11.9
90	62	Nationwide Leisure	75	......	†5.75	2.3	7.2	(9.7)
17	10	‡Nimslo Int 20c	10	......	—	—	—	—
35½	23	‡Owners Abroad 3p	33½	......	1.5	2.3	6.3	9.6
90	46	Phonav (Lon.)	67	......	—	—	—	—
34	28	‡P'dilly Radio NV 5p	28	......	2.0	3.2	10.1	11.9
*73	25½	‡Pineapple 10p	55	−5	—	—	—	—
391	280	Pleasurama 5p	323	......	†7.5	3.6	3.1	12.0
178	136	Do. 7pcCvCmRedPf	149	......	7%	—	6.6	—
137	100	Prestwich	103	+1	†hd0.35	7.8	0.5	20.2
43	10	‡Radio City 'A' NV	32	......	—	—	—	—
51	33	‡Radio Clyde N/V	50	+2	3.25	0.9	9.2	16.2
393	322	Really Useful Grp 5p	379	......	h11.25	2.2	4.2	15.4
64	42	Riley Leisure 10p	42	......	—	—	—	—
230	130	Saga Hols. 20p	135	......	4.6	2.6	4.8	11.4
355	155	Samuelson Grp 20p	175	......	2.4	6.5	1.9	10.4
123	73	‡Sangers Photo 10p	88	+2	ϕ2.2	1.5	3.5	(26.8)
178	118	‡Scavro 50p	110	−15	4.0	3.5	5.1	7.9
340	175	Scott. TV 10p	328	......	10.5	3.0	4.5	10.4
294	114	SeaCo Inc $0.125	188	+10	—	—	—	—
27	7	‡SelecTV 10p	16	......	—	—	—	—
37	20	‡Spectrum 5p	28	......	‡1.2.0	4.8	‡	2.9
131	119	Stanley Leisure	188	......	‡3.25	2.0	3.5	14.4
46	31	TSW 5p	44	......	†1.7	2.4	5.2	11.1

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Miscellaneous

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
34	24	‡Ennex Int. Ir10p	24	......	—	—	—
123	70	Greenwich Res.	114	......	—	—	—
157	93	Hampton Areas 10p	146	......	ϕ1.0	—	1.0
327	165	‡Highwood Res.	242	+1	—	—	—
£20¾	£13½	Homestake Mining $1	£20¾	+1½	Q20c	—	0.7
310	156	‡McFinley Red Lake	205	+29	—	—	—
285	144	‡Musto Explorations	207	+12	—	—	—
51	28	‡New Sabina Res C$1	29½	+½	—	—	—
309	200	Northgate C$1	369	+23	—	—	—
790	511	RTZ	637	+15	22.0	2.4	4.9
£164	£115	Do. 9¾pcLn '95-2000	£136½	+4	Q9¾%	15.5	7.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ϕ Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	50	....	Fin. 13% 97/02	£106½	....
Craig & Rose £1	£13½		Arnotts	270	....
Finlay Pkg. 5p	46		CPI Hldgs	48	−1
Holt (Jos) 25p	820	−5	Carroll Inds.	120	−5
IoM Stm. £1	75	....	Dublin Gas	30	......
			Hall (R. & H.)	80xd	−2
IRISH			Heiton Hldgs	32	....
Fund 11¾% 1988	£100½	−¼	Irish Ropes	95	
Nat. 9¾% 84/89	£96½	−1½	Unidare	231	+1

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Equities regain composure after last week's interest rate scare but gilts remain nervous

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6
Sept 29	Oct 9	Oct 10	Oct 20

* "New-time" dealings may take place from 9.30 am two business days earlier.

Hopes that the weekend EEC meetings would smooth the way for a US/German compromise over the vexed issue of currency trends and interest rates imparted stability to London financial markets yesterday. The dollar's performance in forex markets was all-important and a strong initial surge against leading Continentals was enough to allay fears of another run on sterling. Thoughts of united European support pushed the US currency up sharply and the D-mark was the principal sufferer, even losing some of its recent buoyancy over sterling.

Although the outlook for world interest rates remained far from clear, there seemed a slim chance that the Bundesbank would make a token gesture and announce a small reduction in rates at Thursday's meeting. This possibility was reflected in slightly easier period charges for credit in UK money markets, three-months interbank closing at 10¼ per cent, compared with 10⅜ per cent on Friday.

Gilt-edged traders were relieved when the market seemed intent initially on recovering after a sustained three-week beating. It was not to be, however, for longer maturities later gave back gains of ⅝ to close that much lower on the day. Demand was satisfied fairly soon and resumed US bond weakness coupled with falling Gilt futures quotations subsequently put the skids under the market. Private investors were apparently worried by the pound's earlier trend against the dollar.

Conversely, fresh arbitrage inquiries for international and other blue chip equities were stimulated by the sterling development. The business set the scene for a more composed session and, as the chances of avoiding a rise in UK base rates improved, sellers became increasingly more reticent. Prices progressed throughout the day and many settled showing useful gain.

Sentiment was assisted further by a brighter Wall Street tone early yesterday—triple witching hour on Friday passed without too much fuss—and the FT indices closed at the day's highest points. The FT Ordinary share index rallied 13.7 to 1,282.8, while the broader-based FT-SE 100 share index ended 16.7 higher at 1,617.1. Good features emerged from every sector, many as a result of the usual crop of weekend Press recommendations. Speculative interest was noticeable in many stocks currently regarded as possible takeover situations.

Schroders advance

Schroders jumped 50 to 775p and the N/V shares 63 to 600p on reports that the merchant bank is to sell its life insurance businesses and the linked unit trust operation to the National Mutual Life Association of Australia for £99m. Elsewhere, **Guinness Peat** hardened a penny to 79p in response to Press comment, while **English Trust**, which were supported up to 153p last month on talk of an overseas bid of 200p per share, revived with a speculative gain of 5 at 140p. Among Hire Purchases, dealings in **Woodchester** were resumed following the bid from British and Commonwealth and the shares touched 350p before closing at 325p compared with the suspension price of 253p. Spurred by the prospect of a successful TSB flotation, investors returned for the major clearers. **NatWest** also continued to reflect its proposed New York Stock Exchange listing with a price rise of 7 at 542p. **Lloyds** moved up the same amount to 442p, while **Barclays** added 5 at 490p. **Midland** also put on 5 at 572p. **Bank of Scotland** gained 5 to 422p ahead of tomorrow's interim results.

Lloyds Brokers moved higher on currency influences. **Sedgwick**, additionally aided by the successful rights issue result, moved up 13 at 343p, while **Hogg Robinson** added 7 at 322p and **Stewart Wrightson** put on 5 at 442p. Elsewhere, **Prudential**, at 832p, retrieved 14 of Friday's fall of 24 which stemmed from adverse comment on the company's £405m acquisition of Jackson National Life Insurance of the US.

United Trust and Credit were introduced in the Unlisted Securities Market at 375p and rose to 385p on small demand before drifting back to finish at 370p.

Interest in Breweries was mainly concentrated among Regionals. **Belhaven**, an extremely active market last week as sizeable share stakes changed hands and resulted in the appointment of Mr Raymond Miquel as chairman and chief executive, encountered profit-taking and dipped 6 to 81p. In contrast, buyers returned for **Matthew Brown**, finally 10 higher at 545p, after 550p, amid mounting speculation that Scottish and Newcastle will resume its bid for the company.

Blue Circle jumped 13 to 571p, after 573p, in active trading on fairly persistent speculative buying fuelled by rumours of a possible bid from Australia, with both Robert Holmes à Court and Alan Bond being mentioned as interested parties. Elsewhere in Buildings, **RMC** firmed 8 to 624p ahead of Thursday's interim figures, while **Barratt Developments** improved 4 at 150p in reply to comment ahead of tomorrow's preliminary figures. **Tarmac** dropped to 450p on initial disappointment with the interim profits — the group attained a pre-tax figure of £47.5m against market estimates of around £51m — but the shares later rallied smartly to close the session unaltered at 462p. **Travis and Arnold**, meanwhile, jumped 14 to 436p in response to the bumper interim profits and proposed 100 per cent scrip-issue, while improvements of 6 and 8 respectively were seen in **Costain**, 518p, and **Mowlem**, 412p. **Marley** improved a few pence at 120p and **Magnet and Southerns** edged forward a couple of pence at 194p.

	Sept 22	Sept 19	Sept 18	Sept 17	Sept 16	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	83.98	84.28	84.12	85.45	85.88	84.02	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.12	91.11	91.88	†92.12	92.76	89.15	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,282.8	1,269.1	1,279.6	1,275.2	1,262.2	995.3	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	357.8	331.2	317.2	316.6	317.9	312.9	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.32	4.35	4.33	4.35	4.40	4.79				
Earnings Yld.%(full)	9.94	10.02	9.97	10.02	10.14	11.75				
P/E Ratio (net) (*)	12.34	12.24	12.30	12.24	12.09	10.54				
Total Bargains (Est)	18,289	17,349	18,734	20,348	21,590	21,176				
Equity Turnover £m.	—	510.99	560.96	535.07	534.79	401.01				
Equity Bargains	—	16,190	16,746	17,169	19,263	18,717				
Shares Traded (ml).	—	228.2	228.3	228.6	222.4	191.7				

S.E. ACTIVITY

Indices	Sept. 19	Sept. 18
Gilt Edged Bargains	123.8	125.7
Equity Bargains	104.9	108.5
Equity Value	1032.8	1133.8
5-Day Average		
Gilt Edged Bargains	121.1	118.8
Equity Bargains	119.5	138.1
Equity Value	1108.6	1257.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1271.5	1272.4	1274.7	1276.4	1278.9	1278.9	1280.6

Day's High 1282.8. Day's Low 1269.1. † Correction

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *NS=11.85.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Leading high street Retailers, depressed recently amid dearer credit worries, attracted occasional interest and finished with modest gains for choice. **Marks and Spencer** put on 4 to 204p, while **Burton** rose 6 to 306p. **Combined English**, scheduled to reveal interim figures this Thursday, touched 243p before settling 3 up on balance at 241p. Elsewhere, sentiment was helped by better-than-anticipated interim profits from Mail-order house **Freemans** which traded between extremes of 456p and 470p before closing 4 up on balance at 466p. Sympathetic advances were recorded by **Empire**, 4 dearer at 188p, after 190p, and **Gus A**, a fraction harder at £10⅞. **Lee Cooper**, still excited by Friday's disclosure that Compagnie de Navigation Mixte has purchased a 5 per cent stake, improved 10 more to 235p. Dealers also reported interest in **S & U**, a couple of pence up at 43p, but **Goldsmiths**, which announced an agreed offer for Prince of Wales Hotels last week, reacted to scattered offerings and closed 12 cheaper at 208p.

Leading Electricals were inclined firmer, with **British Telecom** improving 4 to 188p and **Plessey** a similar amount to 178p. **Logica**, scheduled to reveal preliminary figures tomorrow, advanced 6 to 218p. Press mention stimulated demand for **Amstrad**, which put on 8 to 138p, and **Zygal Dynamics**, 5½ better at 33½p. **Telemetrix**, in contrast, eased 2 more to 40p on the annual loss.

Engineers passed another quiet trading session. Among the occasional movements, buyers showed interest in **Babcock**, which rose 4 to 172p, while the increased interim dividend and profits prompted a gain of a couple of pence to 75p in **Metalrax**. **Benjamin Priest**, reflecting a newsletter recommendation, closed 2 better at 75p. **Richardsons Westgarth** hardened a penny more to 44p on the half-year figures.

George Bassett provided a firm feature in the Foods sector, rising 7 to 190p in response to Press comment. **Tate and Lyle** added 5 at 615p and **Rowntree Mackintosh** improved 10 at 405p. **Chambers and Fargus** rose 3 to 50p following the strong profits recovery.

THF highlighted Hotels with a rise of 7 to 152p as a large buyer found stock in short supply. **Grand Metropolitan** were also favoured at 411p, up 11.

Siebe dip

Siebe fell away sharply to close 80 down at 805p on news of the proposed rights issue of £225m to finance the acquisition of Robertshaw Controls of the US. Elsewhere in the miscellaneous industrial sector, **Pearson**, enlivened by the announcement that **Hutchison Whampoa** has acquired a 4.9 per cent stake, ended 12 to the good at 522p, after 528p. **Hutchison** put on 13½ to 303p. **Hestair** moved up 7 to 160p in response to a newsletter recommendation, while **Wellcome**, still reflecting development hopes for its anti-Aids vaccine, encountered further buying interest and gained 12 more to 215p. **Parker Knoll** rose 14 to 432p in reply to the good preliminary figures and **Fisons**, which announced the proposed acquisition of Applied Research Laboratories Inc. of the US for £26m, advanced 9 to 572p. **Laidlaw Thomson** responded to the increased interim dividend and profits with a gain of 12 at 215p, but **Morgan Crucible** closed a couple of pence cheaper at 248p following the interim figures and acquisition news. **Appledore**, a strong market last week on persistent bid speculation, met with profit-taking and reacted 10 to 225p, but Press mention prompted a rise of 4 to 88p in **Burns Anderson**.

Leading issues continued to make headway, although gains were usually fairly modest. **Glaxo**, however, helped recently by the slide in sterling, reacted 20 to 972p.

Narrow mixed price movements were the order of the day in the Leisure sector. **Scanro**, however, closed 15 off at 110p; the Earl of Bradford holds a 5.66 per cent stake in the company.

Motors highlighted **Jaguar** which advanced 18 to 536p reflecting currency influences and the impending UK launch of the long-awaited XJ saloon. Distributors were firmer for choice with **Kwik-Fit**, due to announce interim results next Monday, 8 up at 124p.

Publishers made modest headway across the board helped by pleasing mid-term figures from **Trinity International**, finally 22 higher at 440p. **United Newspapers**, scheduled to reveal interim results on Thursday, hardened a few pence to 353p, while **Associated Book Publishers**, also expected to announce first-half figures shortly, put on a similar amount to 218p. Paper/Printings showed scant alteration, although **Olives Paper Mill** rose a couple of pence to 61p on news that Malton Medes now controls just over 14 per cent of the equity. Advertising and related counters showed **Boase Massimi Pollitt** 10 to the good at 290p after Press comment, while confirmation that Mr Neil McClure is to be appointed finance director lifted **FKB** 13 to 240p.

Properties shrugged aside interest rate uncertainties and moved higher. **Land Securities** improved 5 at 315p and **MEPC** put on 7 at 320p. **Abaco** revived with a rise of 4 to 74p, after 75½p, on the announcement that British and Commonwealth had increased its stake in the company to 27 per cent following its acquisition of 9.4m shares from Canada Life Assurance at 75p per share. **Property Trust** hardened a fraction to 6p, after 6½p, following an investment recommendation and **Belgrave** gained 5 to 136p ahead of Thursday's extraordinary general meeting at which Mr Peter Clowes of International Securities will seek a seat on the Board of Belgrave; IS holds a near-30 per cent stake in Belgrave. **Connells Estate Agents** gained 5 to 285p in anticipation of today's interim figures, while **Merivale Moore** rose the same amount to 225p in reply to the bumper profits.

Textiles featured **Courtaulds** which responded to currency considerations and advanced 7 to 288p; brokers de Zoete and Bevan have issued a bullish circular on the sector and expect Courtaulds to reveal an increase in pre-tax profits of at least 20 per cent for the half-year to September 30. Press comment prompted interest in **A. Beckman**, finally 6 up at 114p, while fresh takeover speculation lifted **Kingsley and Forester** 6 to 70p.

Among Financials, **MAI** improved a few pence to 330p on buying ahead of this Thursday's preliminary figures which are expected to show pre-tax profits of around £36.6m. Dealings in **Brint Investments** were suspended at 200p "pending publication of details of a substantial acquisition."

BP/Shell firmer

Leading oils moved narrowly during the morning, when interest was at minimal levels, but picked up around mid-day following arbitrage buying interest. **BP** ended the day 9 up at 667p and **Shell** closed 8 firmer at 903p. **LASMO**, reporting interim results today and a nervous market in recent weeks amid fears that the interim dividend will be cut, held around 117p. **Ultramar** moved up 5 to 145p on news that Ron Brierley's IEP Securities has increased its stake in the company to 13.2 per cent. **IC Gas**, where rumours of a takeover bid have been rife for the past few months, hardened 3 to 490p following press comment. **Carless Capel** put on 4 to 58p, reflecting a stock shortage, while **Clyde Petroleum** were a shade easier at 40p in front of today's interim figures. **ERIC** were quoted at 145p "ex" the consolidation of the shares and rights issue.

The latest show of strength by precious metals and a firm performance by base metals triggered another upsurge in mining markets. Bullion rose strongly to touch $445 in London—the first time it has moved above $440 since the end of May 1983—prior to closing a net $8.75 up at $438.75. Platinum moved through the $600 level during the morning and traded around $606 before easing later to $599.

South African Golds attracted sustained and often heavy buying interest from the outset when dealers marked share prices higher in response to American demand late on Friday. Buying interest was reported from all international dealing centres, most notably Johannesburg, where demand was spurred by a firm showing in the Financial Rand, the Continent and London. Persistent profit-taking just after mid-day, which accompanied the slight decline in gold, took share prices a shade off their best levels but closing gains remained sufficient to produce a jump of 26.8 to 357.8 in the Gold Mines index—its highest level since January 27 this year.

The heavyweights were highlighted by **Randfontein** which raced up to £73⅛ before ending the session a net £4 up at £72, while **Vaal Reefs** were prominent and finally £1½ to the good at £61. Rises of around a point were common to **Winkelhaak**, £16¼, **Libanon**, £12½ and **OFSIL**, £24⅜. Cheaper priced stocks were bought heavily by London investors with outstanding gains. Speculative buying left the cheaper priced issues with outstanding gains. **Deelkraal** jumped 34 to 249p, **Elsburg** 37 to 213p and **Loraine** 41 to 481p while **East Daggafontein** raced up 28 to 277p.

Rustenburg Platinum rose 13 to 800p and diamond producer **De Beers** closed 6 firmer at 544p, after a 1986 high of 552p. South African Financials made progress across a broad front, with **Anglo American Corporation** up ⅜ at a year's high of £11⅝. The UK mining financials were given a twin boost by firm metal prices and a strong rise in UK equities. **Consolidated Gold Fields**, given a "buy" recommendation by at least two leading UK broking houses since the preliminary results announced last week, touched a 1986 high of 560p before settling 8 up on balance at 557p. **Rio Tinto-Zinc** closed 15 higher at 637p, after 640p. Welsh gold exploration company **Clogau** added 2½ to 23p

Traded Options

Relatively subdued conditions among underlying securities resulted in considerably reduced turnover in Traded Options. Total contracts struck amounted to only 14,818—made up of 11,409 calls and 3,409 puts. **Hanson Trust** were lively, however, and attracted 1,521 calls, while a useful and evenly-balanced business developed in **British Telecom** with 747 calls and 760 puts transacted.

Traditional Options

- **First Dealings** Sept 22 Oct 6 Oct 20
- **Last Dealings** Oct 3 Oct 17 Oct 31
- **Last Declaration** Dec 16 Jan 8 Jan 22
- **For Settlement** Dec 29 Jan 19 Feb 2

Money was given for the call of **Sandell Perkins, Thomas Marshall (Loxley), North Kalgurli, Brooke Tool, Chessminster, Burns-Anderson, Clogau, Atlantic Resources, Arthur Lee, Egerton, Zandpan** and **Carr Boyd**. No puts were reported, but a double option was transacted in **Polly Peck**.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Abaco Invs	74	+ 4	De Beers Dfd.	544	+ 6
BET	393	+ 5	Empire Stores	190	+ 6
BPB Inds.	487	+ 5	Kingsley Forester	70	+ 6
Belhaven Brew.	81	− 6	Tarmac	462	—
Blue Circle	571	+13	Vaal Reefs	£61	+ 1½
Courtaulds	288	+ 7	Wellcome	215	+12

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri's. close	Day's change	Stock	No. of changes	Fri's. close	Day's change
Sandell Perkins	23	157	—	De Beers Dfd.	14	538	+18
ICI	22	£11	+ ⅛	Belhaven Brew	15	87	+10
Glaxo	21	992	+12	Cons. Gold Fld.	13	549	+14
Wellcome	18	203	+ 6	Nth. Kalgurli	13	56	+ 4
Prudential	16	818	−24	BP	12	658	—
RTZ	15	622	+ 8	Vaal Reefs	12	£59½	+6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	90	21
Corporations, Dom., and Foreign Bonds	10	36	23
Industrials	374	244	913
Financial & Properties	150	83	348
Oils	27	15	72
Plantations	0	1	13
Mines	118	9	58
Others	100	21	74
Totals	781	499	1,522

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (96)

CANADIANS (6) American Barrick Resources, Echo Bay Mines, Golden Sceptre Resources, Goliath Gold Mines, Granges Expln, Inland Natural Gas; Banks (1) Woodchester; BREWERS (1) Brown (Matthew), BUILDINGS (1) Travis & Arnold; CHEMICALS (2) Dialene, Raebrook,; STORES (2) Dunhill, Lee Cooper, ELECTRICALS (2) Burgess Products, NEC Corp; ENGINEERING (4) Atlas Converting Equip, Beauford, Hampson Inds, Utd Spring; INDUSTRIALS (10) BTR Nylex, Bluebird Toys, CCA Galleries, China Light, Davies & Newman, Green (E.) & Partners, Johnson Matthey, Peek Hldgs, Securiguard, Worcester; INSURANCE (1) United Friendly B; MOTORS (1) Woodhead (J); PAPER (2) Horne (Robert) N/V A, Olives Paper; PROPERTY (7) Berkeley & Hay Hill, Capital & Counties, Connells Estate Agents, Mayfair City Properties, Property Trust, Southend Stadium, Trust of Property; SHOES (1) Pittard; SOUTH AFRICANS (1) SA Breweries; TEXTILES (1) Beckman (A); TRUSTS (7) General Funds, London & Gartmore, Pacific Assets Trust, Precious Metals Trust, River Plate Defd, TR Natural Resources, Parambe; OVERSEAS TRADERS (1) Nesco Invs; MINES (45).

NEW LOWS (18)

BRITISH FUNDS (5) Conv 10pc 1996, Conv 9pc 2000, Conv 9¾pc 2006, Treas 8½pc 2007, Treas 2½pc '16; LOANS (4) Nationwide Bldg Soc 9⅞pc 18.5.87, Do 9⅞pc 15.6.87, Do 10⅛pc 27.7.87, Do 10⅛pc 17.8.87; FOREIGN BONDS (1) Hungary '24 Ass; ELECTRICALS (2) Dubilier, Meracom Intl; FOODS (1) Bio-Isolates; INDUSTRIALS (2) Christies Intl, Talbex; INSURANCE (1) Heath (C. E.); LEISURE (1) Scanro; OILS (1) Pennine Resources.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday September 22 1986 (Index No., Day's Change %, Est. Earnings Yield% (Max.), Gross Div. Yield% (ACT at 29%), Est. P/E Ratio (Net), xd adj. 1986 to date); Fri Sept 19; Thur Sept 18; Wed Sept 17; Year ago (approx.)

Figures in parentheses show number of stocks per section

[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Sept 19	Sept 18	Sept 17	Sept 16	Sept 15	Year ago
FT-SE 100 SHARE INDEX ♦	1617.1	+16.7	1617.1	1602.2	1600.4	1614.2	1610.4	1596.7	1628.3	1292.1

FIXED INTEREST

PRICE INDICES; AVERAGE GROSS REDEMPTION YIELDS

[illegible]

♦Opening index 1602.3; 10 am 1604.7; 11 am 1604.9; Noon 1607.7; 1 pm 1609.8; 2 pm 1612.0; 3 pm 1615.2; 3.30 pm 1616.2; 4 pm 1615.9.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*311)	300	17	28	42	6	10	14
	330	6	15	25	28	30	32
	360	2½	8	15	53	58	62

[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk (*572)	500	90	105	117	2	7	11
	550	50	65	82	12	17	25
	600	22	32	42	35	40	45

[illegible]

September 22. Total Contracts 14,818. Calls 11,409. Puts 3,409.
*Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May. Vol.	May. Last	Stock
GOLD C	$350	55	94A	—	—	—	—	$435.50
GOLD C	$380	187	67A	14	70	4	82	"
GOLD C	$390	125	55	13	66	—	—	"
GOLD C	$400	34	48A	87	54	—	—	"
GOLD C	$420	515	32	182	42	20	53	"
GOLD C	$440	319	24.90	94	34	21	49	"
GOLD C	$460	933	17.50	294	26.90	6	38.50	"

[illegible]

TOTAL VOLUME IN CONTRACTS: 47,983

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	10
Allied Arab Bk Ltd	10
Allied Dunbar & Co	10
Allied Irish Bank	10
American Exp. Bk	10
Amro Bank	10
Henry Ansbacher	10
ANZ Banking Group	10
Associates Cap Corp	10
Banco de Bilbao	10
Bank Hapoalim	10
Bank Leumi (UK)	10
Bank Credit & Comm.	10
Bank of Cyprus	10
Bank of Ireland	10
Bank of India	10
Bank of Scotland	10
Banque Belge Ltd	10
Barclays Bank	10
Benchmark Tst Ltd	10
Beneficial Trust Ltd	11
Berliner Bank AG	10
Brit. Bk. of Mid. East	10
Brown Shipley	10
CL Bank Nederland	10
Canada Permanent	10
Cayzer Ltd	10
Cedar Holdings	11
Charterhouse Bank	10
Citibank NA	10
Citibank Savings	¶10.95
City Merchants Bank	10
Clydesdale Bank	10
Comm. Bk. N. East	10
Consolidated Cred.	10
Continental Tst Ltd	10
Co-operative Bank	*10
Cyprus Popular Bk	10
Duncan Lawrie	10
E. T. Trust	11
Equatorial Tst C'p plc	10
Exeter Trust Ltd.	10½
Financial & Gen. Sec.	10
First Nat. Fin. Corp.	11
First Nat. Sec. Ltd	11
● Robert Fleming & Co	10
Robert Fraser & Ptrs	11
Grindlays Bank	‡10
● Guinness Mahon	10
● Hambros Bank	10
Heritable & Gen Tst	10
● Hill Samuel	§10
C. Hoare & Co	10
Hongkong & Shangh'	10
Knowsley & Co. Ltd	10½
Lloyds Bank	10
Mase Westpac Ltd.	10
Meghraj & Sons Ltd	10
Midland Bank	10
● Morgan Grenfell	10
Mount Credit Corp. Ltd.	10
Nat Bk. of Kuwait	10
National Girobank	10
Nat Westminster	10
Northern Bank Ltd	10
Norwich Gen. Trust	10
PK Finans. Intl (UK)	10½
Provincial Trust Ltd.	11
R. Raphael & Sons	10
Roxburghe G'rantee	11
Royal Bk of Scotland	10
Royal Tst Co Canada	10
Standard Chartered	10
Trustee Savings Bnk	10
UDT Mortgage Exp.	¶10.9
United Bk of Kuwait	10
United Mizrahi Bank	10
Westpac B'nking Corp	10
Whiteaway Laidlaw	10½
Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

WORLD STOCK MARKETS

AUSTRIA

Sept. 22	Price Sch.	+ or −
Credit'nst'lt pp	2,500	....
Goesser	5,375	+5
Interunfall	15,600	....
Jungbunzlauer	12,100	−150
Laenderbank	2,210	−12
Perlmooser	515	+10
Steyr Daimler	166	+2
Veitscher Mag	10,150	....

BELGIUM/LUXEMBOURG

Sept. 22	Price Frs.	+ or −
B.B.L.	3,040	....
Banq. Gen. Lux	16,300	....
Banq. Int.A.Lux	15,100	−50
Bekaert	10,675	−25
Ciment CBR	5,810	+10
Cockerill	160	+5
Delhaize	5,150	....
EBES	4,700	+20
Electrobel	14,925	....
Fabrique Nat	2,065	+5
GB Inno BM	7,600	....
GBL (Brux)	3,475	+10

GERMANY

NORWAY

SPAIN

SWITZERLAND

SWEDEN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN (continued)

JAPAN

SINGAPORE

SOUTH AFRICA

DENMARK

ITALY

FRANCE

NETHERLANDS

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices September 22

1 - No voting rights or restricted voting rights.

MONTREAL

Closing prices September 22

Sales 4,422,556 shares

Indices

NEW YORK

NEW YORK ACTIVE STOCKS

CANADA

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 43

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅝	4½	WinterJ10e	1.3	10	15	7⅝	7⅝	7⅝		
84½	30¾	WiscEP2.68	4.7	12	120	56⅞	56⅛	56⅝	+⅛	
104	78	WisE pf8.90	8.7		z50	102	102	102	−½	
101¼	88	WisE pf7.75	7.9		z50	98½	98⅛	98½		
60¼	29⅛	WiscPL2.96	5.6	12	58	52⅝	51⅝	52⅝	+⅝	
63	35⅝	WiscPS 3	5.7	13	43	52½	51¾	52¼	+½	
38½	22	Witco s 1.12	3.5	11	285	32½	31½	32¼	+⅝	
14	6⅛	WolvrW12j			287	8½	8⅝	8⅝		
40	23¾	Wlwth s1.12	2.9	13	1051	38¾	38⅛	38¾	+⅝	
137	88	Wolw pf2.20	2.0		3	108⅝	108	108⅝	+⅞	
6⅞	2	WrldAr		2	45	4⅛	4	4		
19¾	19½	WrldVl n			13	19⅝	19½	19⅝		
51	28⅝	Wrigly s .96	2.1	19	97	45	43⅝	44¼	−⅛	
4⅞	1⅝	Wurltzr			7	1⅝	1⅝	1⅝	−⅛	
17½	10½	WyleLb .32	2.1	20	39	11⅞	11⅜	11¾		
26¾	15	Wynns .60	2.8		9	21¾	21½	21¾	+¼	
		X Y Z								
72¼	45¾	Xerox	5	5.8	17	2821	64⅛	52⅝	53⅞	+1¼
56¼	54	Xerox pf5.45	9.7		20	56	56	56		
26¾	20⅝	XTRA .64	2.8		63	22¾	22½	22⅝	+⅜	
17⅝	13½	Yorkin n			108	15⅝	15	15½	+½	
20	27	ZaleCp 1.40	4.1		30	34¾	34⅛	34⅛	−⅝	
6½	5¼	Zapata 03j			143	3½	3¼	3⅜	−½	
43⅞	23½	Zayre s .32	1.3	17	5065	23¼	24¾	25⅛	+½	
17	9⅞	Zemex .40	4.0	10	5	10	10	10		
29⅞	16¼	ZenithE			224	20¾	20⅝	20¾	+¼	
16¼	6	ZenLb s		12	1202	8¾	8⅝	8⅝		
22⅝	14	Zero s .29	2.0	15	65	14¾	d13¾	14¾	+¾	
45¾	32¾	Zurnin 1.32	3.7	10	173	35¾	35½	35¾	+⅛	

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Abaco Invs	74	+ 4
Bassett Foods	190	+ 7
Blue Circle	571	+13
Central Norseman	648	+30
Courtaulds	288	+ 7
Deelkraal	249	+34
Elsburg	213	+37
Emperor Mines	185	+22
Hestair	160	+ 7
Jaguar	536	+18
Kingsl. & Forester	70	+ 6
Metals Expln	58	+ 6
Pearson	522	+12
Prudential	832	+14
Randfontein Ests	£72	+ 4
Renison	332	+20
Schroders	775	+50
Sedgwick	343	+13
Travis & Arnold	436	+14
Trinity Intl	440	+22
Trusthouse Forte	152	+ 7
Ultramar	145	+ 5
Wellcome	215	+12
FALLS		
Tr 11% 91	£103	− £⅝
Ex 10½ 97	£98⅝	− £½
Tr 2½ IL 16 A	£95¾	− £⅝
Belhaven Brewery	81	− 6
Glaxo	972	−20
Goldsmiths	208	−12
Siebe	805	−80

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	13¾	AAR s	.44	2.0	17	98	22⅛	21½	22	+¾
30	21¾	ADT	.92	3.8		44	24⅛	23⅞	24	+½
33	11½	AFG s	.08b	.3	16	165	28⅝	27⅝	28⅛	+⅝
25⅜	13¾	AGS			12	4	17⅝	17	17⅝	+½
15	8⅞	AMCA			258	6	10⅜	10¼	10¼	−⅛
60⅝	37½	AMR			14	2986	57⅛	56	56⅝	
27½	23¼	ANR pf 2.67		10.		8	25⅞	25⅞	25⅞	
24	19¼	ANR pf 2.12		2.1		112	23½	23¼	23¼	+¼
12½	9	APL			6	46	11½	11⅛	11½	
16¾	10	ARX	.71t	6.5	10	216	11⅛	10⅞	11	−⅛
41½	28¾	ASA	2a	4.9		1205	41½	40⅞	41⅛	−¼
18⅝	9¾	AVX		3.1		339	10⅝	10⅛	10¼	+⅛
32	22⅝	AZP	2.72	9.3	6	1282	29⅝	29	29⅛	+¼
55	28⅝	AbtLb s	.84	1.9	20	3502	44⅞	41⅞	44¾	+2¼
82	19⅝	AccoWd	.56	2.2	17	57	25⅝	25¼	25⅝	
14⅞	9	AcmeC	.40	4.0		106	10	9⅝	10	
9¼	6¼	AcmeE	.32b	4.7	14	17	7	6⅞	6⅞	
22⅝	17	AdaEx	1.90e	9.5		53	20⅛	19⅞	20	+¼
33⅝	16⅞	AdmMl	.40	1.7	11	24	23⅞	23¾	23¾	−¼
20⅝	12⅞	AdvSys	.68t	5.8	13	51	14⅛	14	14	−¼
32⅞	14⅛	AMD				2783	17⅛	16⅞	17	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B B B

C C C

D D D

E E E

F F F

G G G

H H H

I I I

K K K

L L L

M M M

N N N

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

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Continued on Page 41

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

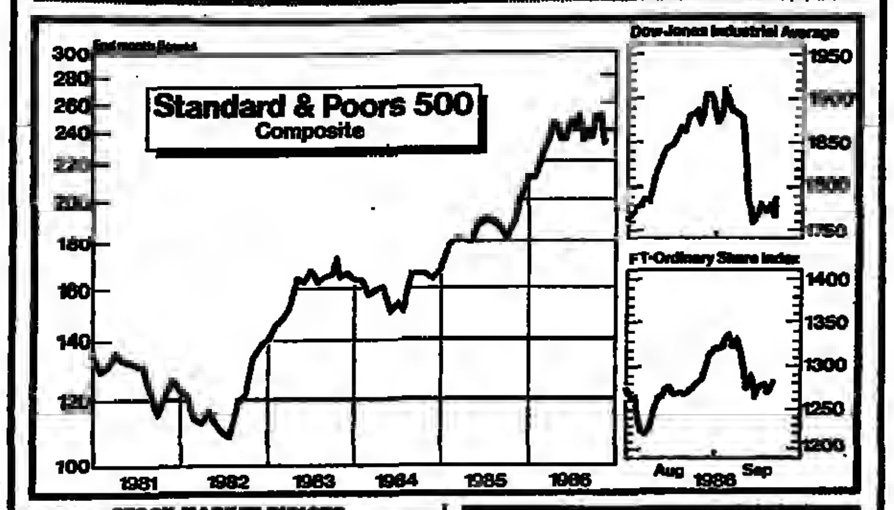
Nasdaq national market, closing prices

[illegible]

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept. 22	Previous	Year ago
NEW YORK			
DJ Industrials	1,793.45	1,762.65	202.80
DJ Transport	784.63	780.13	649.34
DJ Utilities	202.84	201.09	152.80
S&P Composite	234.93	232.21	182.05
LONDON			
FT Ord	1,280.6	1,269.1	1,002.20
FT-SE 100	1,515.9	1,600.4	1,298.70
FT-A All-share	798.77	790.73	628.33
FT-A 500	876.19	869.43	689.99
FT Gold mines	—	331.2	310.60
FT-A Long gilt	—	10.2	—
TOKYO			
Nikkei	17,706.30	17,523.45	—
Tokyo SE	1,458.31	1,447.24	—
AUSTRALIA			
All Ord.	1,227.7	1,210.5	945.6
Metals & Mins.	631.4	608.9	504.2
AUSTRIA			
Credit Aktien	238.32	238.07	196.84
BELGIUM			
Belgian SE	3,832.17	3,833.23	2,500.40
CANADA			
Toronto			
Metals & Minls	2,247.70	2,216.1	1,920
Composite	3,019.10	3,008.4	2,672.1
Montreal			
Portfolio	1,519.52	1,514.12	130.99
DENMARK			
SE	197.43	n/a	216.51
FRANCE			
CAC Gen	380.10	380.2	216.00
Ind. Tendance	146.70	147.0	79.55
WEST GERMANY			
FAZ-Aktien	661.03	665.74	526.08
Commerzbank	1,980.40	1,964.30	1,552.8
HONG KONG			
Hang Seng	1,953.60	n/a	1,549.46
ITALY			
Banca Comm.	741.72	744.11	397.81
NETHERLANDS			
ANP-CBS Gen	281.90	280.4	221.5
ANP-CBS Ind	283.20	283.6	193.6
NORWAY			
Oslo SE	372.76	371.92	336.72
SINGAPORE			
Straits Times	810.20	816.92	782.69
SOUTH AFRICA			
JSE Golds	—	—	1,066.5
JSE Industrials	—	—	953.8
SPAIN			
Madrid SE	192.50	192.89	80.47
SWEDEN			
J & P	2,449.35	2,470.80	1,399.52
SWITZERLAND			
Swiss Bank Ind	543.00	540.5	494.1
WORLD	Sept. 19		
MS Capital Int'l	340.30	338.60	213.5

COMMODITIES

(London)	Sep 22	Prev
Silver (spot fixing)	415.05p	398.35p
Copper (cash)	£940.50	£932.25
Coffee (Sept)	£2,507.5	£2,457.50
Oil (Brent blend)	$13.70	$14.10

GOLD (per ounce)

	Sep 22	Prev
London	$437.00	$430
Zürich	$435.00	$431.5
Paris (fixing)	$430.26	$421.64
Luxembourg	$441.00	$419.25
New York (Dec)	$437.60*	$436.00

INTEREST RATES

Euro-currencies (3-month offered rate)	Sep 22	Prev
£	10⅝	
SFr	4 7/16	
DM	4 11/16	
FFr	6	
FT London Interbank fixing (offered rate)		
3-month US$	n/a	
6-month US$	n/a	
US Fed Funds	5.145	
US 3-month CDs	5.75	
US 3-month T-bills	5.24	

CURRENCIES

(London)	US DOLLAR Sep 22	US DOLLAR Previous	STERLING Sept 22	STERLING Previous
$		—	1.4615	1.4760
DM		1.9920	2.9575	2.94
Yen		152.35	223.75	224.875
FFr		6.525	—	9.630
SFr		1.8100	2.3725	2.378
Guilder		2.2510	3.34⅞	3.32
Lira		1,377.00	2,041	2.0325
BFr		41.35	61.51	61.05
C$		1.3878	2.0267	2.0494

US BONDS

Treasury

		September 22 Price	September 22 Yield	Prev Price	Prev Yield
6⅝	1988	99 17/32	6.471	99 19/32	6.45
7¼	1993	99 9/32	7.407	99 19/32	7.382
7⅝	1996	98 15/32	7.600	98 25/32	7.553
7¼	2016	93 25/32	7.781	94 21/32	7.69

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Sep 22* Day's change	Yield	Day's change
1–30	153.78	+0.17	7.33	−0.02
1–10	147.97	+0.17	6.98	−0.02
1– 3	139.57	+0.14	6.49	−0.03
3– 5	150.39	+0.13	7.20	−0.01
15–30	174.61	+0.12	8.52	+0.00

Source: Merrill Lynch

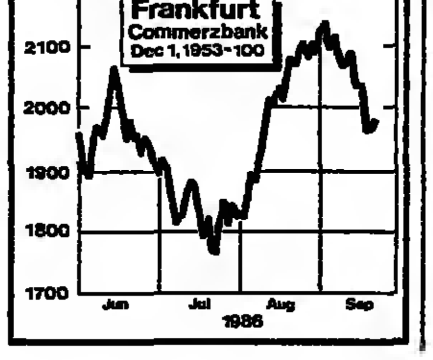
Corporate	September 18* Price	September 18* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	91.125	6.411	91.5	6.449
SCBT South Central				
10⅞ Jan 1993	105.875	9.639	100.875	9.639
Phibro-Sal				
8 April 1996	98.5	8.229	98.375	8.248
TRW				
8⅞ March 1996	101.5	8.514	101.375	8.533
Arco				
9⅞ March 2016	104.75	9.385	104.75	9.385
General Motors				
8⅛ April 2016	89.5	6.159	89.5	9.159
Citicorp				
9⅞ March 2016	96.75	9.71	96.25	9.763

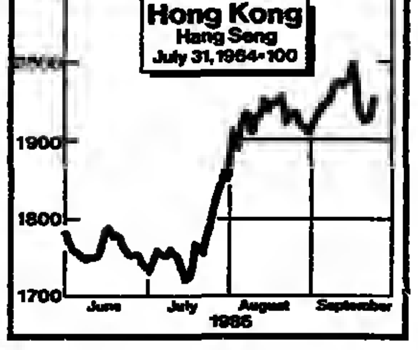
Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	n/a	n/a	n/a	n/a
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.75	94.82	94.75	94.77
Certificates of Deposit (IMM) $1m points of 100%				
Sept	94.85	n/a	n/a	94.24
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.83	93.84	93.77	93.77
20-year Notional Gilt £50,000 32nds of 100%				
Sept	111–24	111–5	111–5	111–29

* Latest available figures





WALL STREET

Sceptical response to upturn

FINANCIAL markets showed a marked improvement on Wall Street yesterday, prompted in part by a partial recovery in the dollar, *writes Roderick Oram in New York.*

But analysts were sceptical about the durability of the improvement. Any renewed weakness in the dollar, for example, would pull down the bond market which, in turn, could depress stock markets.

The Dow Jones industrial average of 30 blue chips closed 30.80 points up at 1,793.45 in the lightest volume so far this month. The New York Stock Exchange composite index covering the full market failed to match the Dow gains in absolute terms, closing 1.56 points higher at 135.05.

The rise in stock prices was heavily influenced by some 10 blue chip shares which had fared relatively worse than the market late last week. Some buying yesterday was by investors who had hung back from the market on Friday because of triple witching hour. "I don't see the kind of breadth and volume which indicates a turn for the better," said Mr Larry Wachtel of Prudential-Bache Securities.

The Dow Jones Industrial Average managed a mere four point net recovery last week from a 161 point fall in the previous six sessions. One positive sign, however, was the market's ability to hold on to the modest gain in the face of last week's plummeting bond prices and a diving dollar.

Yesterday's performance was "all part of the stabilisation," Mr Wachtel added.

Stocks in the forefront of yesterday's rally included IBM which picked up $1¾ to $138⅝, General Electric $2⅛ to $73¾ and 3M $1⅞ to $103.

Among active shares, Holiday Corporation, the hotel and motel chain, gained $1 to $65. Mr Donald Trump, the New York real estate developer was unavailable for comment. Earlier this month the company confirmed he had bought a 2 per cent to 5 per cent stake.

USX was unchanged at $25⅛ but remained the most heavily traded stock. In its first announcement since reports that up to four corporate raiders were buying stakes in it prompted sharp price rises on heavy volume, the company said an investment banking firm was studying a "wide range of restructuring alternatives to enhance shareholders' value."

Anderson Clayton leapt $4⅜ to $60½ following Ralston Purina's announcement late on Friday it was considering a $62 a share bid for the food processor.

In takeover news, National Distillers and Chemical said it was paying $609m for the Enron Chemical unit of Enron Corporation while divesting its spirits and wines operations. National's shares rose $½ to $39⅞ while Enron Corporation's gained $1⅞ to $46⅞.

Robertshaw Controls soared $14½ to $84 on news that Siebe, a UK group, had bought control for $85 a share.

HBD & Company, a hospital computer group, rejected an offer from a group of investors to take it private in a $326.4m deal, funded largely by debt. HBOC's shares on the over-the-counter market lost $⅛ to $12⅝.

Firmness in credit markets was largely prompted by a more than three pfenning recovery in the dollar since Friday pushing it above the psychologically important level of DM 2.

The price of the 7.25 per cent Treasury long bond due 2016 rose 7/32 of a point shortly after the opening but eased back to a gain of 1/32 of a point to 93¾ at which it yields 7.79 per cent. This benchmark bond has lost about seven points since late August bringing a 60 basis point rise in yield amid fears of rekindled inflation and with the weak dollar keeping foreign investors on the side lines.

The slight improvement in government bond prices yesterday, underpinned by a similar rise in the price of bond futures, was reflected across the market. Treasury bill rates ease slightly at the longer end with six-month bills yielding 5.41 per cent, off four basis points, and year bills at 5.51 per cent, off three basis points. Three-month bills were unchanged at 5.26 per cent.

Events of interest to the markets this week include a series of Treasury auctions and the meeting today of the Federal Reserve Board's policy making open market committee.

Although the Treasury's heavy schedule will have placed $42.85bn of new paper on the market between yesterday and Thursday, most will redeem existing instruments leaving a net funding of only $5.8bn. This coupled with the new paper' relatively short maturities should help the market digest the offerings.

The Fed committee is widely expected to leave its policy unchanged, partly because of concern about the possibility of a small increase in the rate of inflation.

EUROPE

Volatile $ makes for hesitancy

THE VOLATILITY of the dollar made for a hesitant session in many European centres.

In **Frankfurt**, prices were mostly above Friday's levels but they came off the day's highs during the course of a thin session as foreign investors remained stubbornly out of the market.

The midsession calculation of the Commerzbank index rose 16.1 to 1980.4. Analysts expressed the view that prices were unlikely to benefit from the strong dollar unless the US currency showed some stability in the medium term.

Among the car makers, VW was actively traded, adding DM 7.50 to DM 488 after peaking at DM 491.

BMW added DM 7 to DM 598 after a day'a high of DM 603 but Daimler eased DM 4 to DM 1,226 after climbing as high as DM 1,242 in early trading.

Banks ended firmer but below the day'a highs. Deutsche put on 50 pfg to DM 772.50, but the recently stable Commerzbank fell DM 1 to DM 332.

Chemicals mainly edged higher though Hoechst eased 20 pfg to DM 259. Among the blue chips, Siemens eased DM 4 at DM 663 after an early DM 1.80 gain but AEG put on DM 2 to DM 307.

Among the engineers, MAN proved an exception, shedding DM 3 to DM 234. Steels were little changed.

Bond prices were sharply lower with domestic investors selling paper amid the dollar's rise and the fall in US credit markets on Friday.

Amsterdam was higher, maintaining the upward momentum inspired by Friday's moderate Wall Street gains and yesterday's firmer dollar, dealers said.

Trade picked up slightly in the afternoon following the New York opening but most investors remained sidelined in a thin market, concerned about the nervousness in New York.

Dutch internationals were firmer due to the stronger dollar, Unilever added Fl 7 to Fl 485.50, Royal Dutch Fl 4.50 to Fl 205.00 and Akzo Fl 1.20 to Fl 149.20.

Banks closed stronger but were pressured by persistent rumours of financial problems at Bank of America which kept investors on the sidelines, despite denials. ABN added Fl 5 to Fl 552.00, NMB Fl 3.50 to Fl 216.50 and Amro Fl 1.50 to Fl 95.80.

Insurers closed higher on market feeling that their US investment and life insurance activities would benefit from the higher dollar. Aegon firmed Fl 3.20 to Fl 99.50, Natned Fl 2.10 to Fl 81.60 and Amev Fl 1.70 to Fl 75.50.

In **Zurich**, stocks finished a very quite session mostly unchanged as many investors stayed sidelined due to the continued uncertainty on the foreign exchange market.

Among actively traded shares were Roche which rose SFr 275 to SFr 10,800.

Shares of several smaller Swiss companies also finished higher. Ateliers de Vevey added SFr 125 to SFr 1,500 on news of a planned merger with Selve Holding together with a planned capital increase.

Transport stocks closed slightly higher with Swissair SFr 30 higher at SFr 1,370.

A quite bank sector saw bearer shares of major banks unchanged while registered shares, which can be bought only by domestic investors, finished slightly higher.

Brussels was mostly higher, shaking off a slow start to end with a rally on buying by private investors. Among blue chips, Petrofina added BFr 150 to BFr 9,050, while in chemicals Gevaert jumped BFr 360 to BFr 8,390 and Solvay rose BFr 70 to BFr 7,670. In an otherwise only slightly higher steel sector, Arbed advanced a strong BFr 115 to BFr 2,375.

Shares in **Paris** ended the main session easier in fairly quiet trading, with the market nervous at the end-of-month closing of accounts and undermined by a weaker showing on Wall Street.

Dealers said a sharp fall in the share price of Schneider SA, following a newspaper report that its shares were overvalued, had also affected the market. Schneider fell 8.8 pct on the session to end at FFr 621, slightly better than its low of FFr 600 francs earlier in the day against FFr 680 at Friday's close.

The Schneider price compares with a high for this year of FFr 789 francs and a low of FFr 345.

Milan ended slightly easier after a fresh bout of selling late in the session, focusing mainly on insurance, banking and financials. Dealers said the market seemed little affected by the Government's decision on Friday to tax new Treasury bill and certificate issues possibly as there are no plans to tax capital gains on share transactions.

Among losers, Assicurazioni Generali fell L1,500 to L110,900 after reporting higher 1985 profits, while Pirelli SpA was off L70 at L5,090. Gainers saw Fiat continue its rally of last week with a L165 rise to L15,990 ahead of first-half results this week, while Montedison was up L15 to L3,145.

LONDON

Measure of stability is regained

HOPES that the weekend EEC meetings would smoothe the way for a US-West-German compromise on currency trends and interest rates gave stability to London financial markets yesterday.

The FT Ordinary index rallied 13.7 to 1,282.8, while the broader-based FT-SE 100 share index ended 16.7 higher at 1,817.1.

Gilt-edged traders were relieved when the market seemed intent initially on recovering after a sustained three-week beating. It was not to be, however, for longer maturities later gave back gains of ⅛ to close that much lower on the day.

Chief price changes, page 31; Details, page 40; Share information service, pages 38–39.

SINGAPORE

PROFIT-TAKING and a lack of fresh buying orders left Singapore broadly lower as investors adopted a cautious approach after last week'a shakeout in major international equity markets.

The Straits Times industrial index lost 6.72 to 610.20. Reports that the Malaysian Government planned to relax regulations on trade and investment in an effort to attract more foreign investment had little effect.

Among actively traded issues, Sime Darby shed 2 cents to S$1.57, while DBS managed a 10 cent rise to S$7.95. Chuan Hup dipped 1 cent to S$1.48.

CANADA

GOLDS and metals and mines were the strongest features in active trading in Toronto, while the industrial index weakened.

Among metals and mines, Echo Bay rose C$⅜ to C$31⅝, Inco gained C$¼ to C$19½ and Noranda put on C$⅞ to C$21½, while leading mining active Placer Development climbed C$⅞ to C$32⅞.

Among blue chips, actively traded stocks mostly advanced, with Mitel up C$⅞ to C$6⅛ and Central Capital firming C$⅛ to C$16⅞. However, Bell Canada remained steady at C$37⅝ and Canadian Pacific eased C$⅛ to C$15⅞.

AUSTRALIA

SHARP RISES in precious metals prices enabled Sydney to maintain its upward trend in brisk trading.

Gold stocks dominated the market as the bullion price reached a four-year high of around US$463 and the Gold index rose 83.4 to a record 1,445.3. Measuring the market more broadly, the All Ordinaries index put on 13.2 to 1,223.7.

Central Norseman rose A$1.20 to A$15.20, GMK A$1 to A$15, Emperor 45 cents to A$4.10 and Poseidon 25 cents to A$3.80.

SOUTH AFRICA

AFTER RISING to new peaks in hectic early trade, South African gold stocks fell back sharply amid profit-taking and nervous selling as the bullion price eased off its highs.

The Johannesburg stock exchange All-Gold rose to a new record of 2,079.0 but then fell back to close at 1,996.0.

Among leading gold issues, Free State Consolidated Gold Mines fell R1.75 to R60 and Driefontein Consolidated eased 50 cents to R79.

TOKYO

Institutions retreat to sidelines

A SHARP advance in Tokyo saw support from domestic demand-related issues but trading was extremely thin, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average gained 182.85 to 17,706.30 and advances outpaced declines by 425 to 385, with 153 issues unchanged. But volume fell from Friday's 476.70m shares to 300.66m, the lowest in four months.

The lack of buying enthusiasm was blamed on the uncertain outlook for the exchange rate and interest rates at home and abroad. There is also lingering concern over the possibility of another price fall because of Wall Street's slow recovery.

Institutional investors retreated to the sidelines ahead of the end of the September accounting term. But the general belief in the market is that securities houses and institutional investors are likely to turn out more aggressively on Friday when trading for delivery in October starts.

On the trading floor, Tokyo Gas topped the active list with 23.56m shares changing hands and the price jumping Y23 to Y979.

Ishikawajima-Harima Heavy Industries, the second busiest issue with 14.93m shares traded, rose Y9 to Y488. Nippon Kokan, third with 12.35m, ended Y1 higher at Y290.

Among other large-capital stocks, Tokyo Electric Power rose Y160 to Y6,400. But Nippon Steel fell Y3 to Y203 and Kawasaki Steel Y6 to Y227.

Investment trust companies placed buy orders for a wide range of blue chips, notably electricals, but only in small lots of 300,000 shares or less for each issue.

Hitachi advanced Y7 at one stage but came under selling pressure later to close Y7 lower at Y985. Matsushita Electric Industrial lost Y10 to Y1,640.

Teijin ended at Y719, unchanged from last week's close. Toyota Motor rose Y20 to Y1,910 and Fujikura Y5 to Y800.

Firmer issues included those which stand to benefit from an expansion of domestic demand, with Mitsubishi Estate up Y50 to Y2,200 and Nippon Express rising Y60 to Y1,270.

Taisei and Kajima gained Y20 each to Y885 and Y1,310, respectively. Kumagai Gumi rose Y50 to Y1,060 and Hasegawa Komuten Y100 to Y1,270. Strong buying interest in these issues reflected investor expectations about the package of pump-priming measures announced by the Government on Friday.

Some biotechnology issues also fared well. Kyowa Hakko leaped Y100 to Y2,140 and Banyu Pharmaceutical also Y100 to Y994.

Bond prices dropped, apparently mirroring investors' disappointment at the waning possibility of the Bank of Japan trimming the official discount rate cut for a fourth time this year in view of the weakening yen.

The yield on the benchmark 6.2 per cent government bond, which fell to 4.650 per cent on Friday, rose to 4.685 per cent. Contrary to expectations, the Central Bank did not buy, and this accelerated the yield's rise.

HONG KONG

A ROUND of bargain-hunting by local and foreign investors took Hong Kong solidly forward after its recent retreat. The Hang Seng index added 27.78 to 1,953.80, reversing the decline seen since the measure peaked at 1,997.92 on September 11. A series of large institutional orders helped the market to pick up momentum after the long weekend holiday.

The mood was also buoyed by the announcement that Hutchison Whampoa had bought almost 5 per cent of Pearson of the UK and might increase its stake.

Hutchison led the actives list, adding HK$1.25 to HK$34.50, while Cheung Kong, its parent, put on 60 cents to HK$25.20. Sun Hung Kai Properties was also 60 cents ahead at HK$16, while Swire Pacific advanced 50 cents to HK$14 and Hongkong Land 15 cents to HK$6.65.

In the utility sector, China Light rose 30 cents to HK$17.40, China Gas 20 cents to HK$18.40 and Hongkong Electric 10 cents to HK$9.60. Hongkong Telephone fell 10 cents to HK$11.80. Hongkong Bank put on 5 cents to HK$6.85 and Hang Seng Bank 25 cents to HK$32.50, while Bank of East Asia was unchanged at HK$17.90.